



# Leoch International Technology Limited 理士國際技術有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 842



## Global Offering

Sole Global Coordinator and Sole Sponsor



Joint Bookrunners and Joint Lead Managers



**IMPORTANT:** If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



# Leoch International Technology Limited 理士國際技術有限公司

(Incorporated in the Cayman Islands with limited liability)

## GLOBAL OFFERING

Number of Offer Shares under the Global Offering:	333,334,000 Shares (subject to adjustment and the Over-allotment Option)
Number of International Offer Shares:	300,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Public Offer Shares:	33,334,000 Shares (subject to adjustment)
Maximum Offer Price:	HK\$5.35 per Offer Share payable in full on application subject to refund on final pricing, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%
Nominal value:	HK\$0.10 per Share
Stock code:	842

*Sole Global Coordinator and Sole Sponsor*



*Joint Bookrunners and Joint Lead Managers*



**BOC INTERNATIONAL**

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.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VIII—Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

**See "Risk Factors" for a discussion of certain risks that you should consider in connection with an investment in the Shares.**

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and our Company on the Price Determination Date which is expected to be on or before November 9, 2010 and, in any event, not later than November 14, 2010. The Offer Price will not be more than HK\$5.35 per Offer Share and is currently expected not to be less than HK\$3.75 per Offer Share.

**The Sole Global Coordinator (on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range and/or the number of Public Offer Shares below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In the case of such reduction, notices of the reduction in the indicative Offer Price range and/or the number of Public Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company's website at [www.leoch.com](http://www.leoch.com) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer. Further details are set out in the sections entitled "Structure of the Global Offering" and "How to Apply for Public Offer Shares" in this prospectus.**

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange of Hong Kong Limited. Such grounds are set out in the section entitled "Underwriting—Underwriting Arrangements and Expenses—Public Offer—Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) to QIBs in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

November 3, 2010

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## EXPECTED TIMETABLE <sup>(1)</sup>

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Application Lists open <sup>(Note 2)</sup> . . . . .	11:45 a.m. on Monday, November 8, 2010
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms . . . . .	12:00 noon on Monday, November 8, 2010
Latest time to complete electronic applications under <b>WHITE Form eIPO</b> service through the designated website <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> <sup>(Note 3)</sup> . . . . .	11:30 a.m. on Monday, November 8, 2010
Latest time to complete payment of <b>WHITE Form eIPO</b> applications by effecting internet banking transfers or PPS payment transfer(s) . . . . .	12:00 noon on Monday, November 8, 2010
Latest time to give <b>electronic application instructions</b> to HKSCC <sup>(Note 4)</sup> . . . . .	12:00 noon on Monday, November 8, 2010
Application Lists close <sup>(Note 2)</sup> . . . . .	12:00 noon on Monday, November 8, 2010
Expected Price Determination Date <sup>(Note 5)</sup> . . . . .	Tuesday, November 9, 2010
Announcement of	
• the Offer Price;	
• the level of applications in the Public Offer;	
• the level of indications of interest in the International Offering; and	
• the basis of allotment of the Public Offer Shares	
will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before . . . . .	Monday, November 15, 2010
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels, including the websites of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our Company at <a href="http://www.leoch.com">www.leoch.com</a> (see paragraph headed " <b>Results of Allocations</b> " in the section headed "How to Apply for Public Offer Shares") . . . . .	Monday, November 15, 2010
Results of allocations in the Public Offer will be available at <a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a> with a "search by ID" function . . . . .	Monday, November 15, 2010
Dispatch of Share certificates or deposit of the Share certificates into CCASS on or before <sup>(Note 6)</sup> . . . . .	Monday, November 15, 2010
Dispatch of <b>WHITE</b> Form e-Refund payment instructions/ refund cheques on or before <sup>(Note 6)</sup> . . . . .	Monday, November 15, 2010
Dealings in the Shares on the Main Board to commence at 9:30 a.m. on . . . . .	Tuesday, November 16, 2010

*Notes:*

1. All times and dates refer to Hong Kong local time and dates. Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this prospectus.
2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, November 8, 2010, the Application Lists will not open or close on that day. Further information is set forth in the section headed "How to Apply for Public Offer Shares—When to Apply for the Public Offer Shares—Effect of Bad Weather Conditions on the Opening of the Application Lists" in this prospectus.
3. You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://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 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.

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## EXPECTED TIMETABLE <sup>(1)</sup>

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4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Public Offer Shares—How to Apply by Giving **Electronic Application Instructions** to HKSCC” in this prospectus.
5. The Price Determination Date is expected to be on or around November 9, 2010 (Hong Kong time) and, in any event, not later than November 14, 2010 (Hong Kong time). If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (on behalf of the Public Offer Underwriters) and our Company by November 14, 2010, the Global Offering will not proceed and will lapse.
6. e-Refund payment instructions/refund cheques will be issued in respect of wholly successful applications if the final Offer Price is less than the Offer Price payable on application and wholly or partially unsuccessful applications. Applicants who apply on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more and have indicated in the **WHITE** Application Forms that they wish to collect any refund cheque(s) (if applicable) and/or Share certificate(s) (if applicable) in person and have provided all information required by their Application Form, may collect their Share certificates and/or refund cheques (where applicable) in person from the Hong Kong Share Registrar between 9:00 a.m. and 1:00 p.m. on Monday, November 15, 2010 or on the date notified by our Company as the date of dispatch of Share certificates and refund cheques. In order to do so, the applicant must complete the appropriate box on the **WHITE** Application Form. Applicants being individuals who opt for collection in person must not authorize any other person to make their collection on their behalf. Applicants being corporations that opt for collection in person must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporation’s chop. Both individuals and authorized representatives, as the case may be, must produce at the time of collection evidence of identity acceptable to the Hong Kong Share Registrar. If an applicant has opted for collection in person but does not collect the Share certificate and/or refund cheque (where applicable) by 1:00 p.m. on Monday, November 15, 2010, the Share certificate and/or refund cheque (where applicable) will be sent to the address as it appeared on the relevant Application Form in the afternoon on the date of dispatch by ordinary post at the applicant’s own risk.

Applicants who apply through the **WHITE Form eIPO** service by paying the application monies through a single bank account, may have e-Refund payment instructions (if any) dispatched to the application payment account. Applicants who apply through the **WHITE Form eIPO** service by paying the application monies through multiple bank accounts, may have refund cheque(s) sent to the address specified in their application instructions to the designated **WHITE Form eIPO** Service Provider by ordinary post and at their own risk.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more and have indicated in the **YELLOW** Application Forms that they wish to collect any refund cheque(s) (if applicable) in person and have provided all information required by their Application Form, may collect their refund cheques (where applicable) in person from the Hong Kong Share Registrar between 9:00 a.m. and 1:00 p.m. on Monday, November 15, 2010 or on the date notified by the Company as the date of dispatch of refund cheques. In order to do so, the applicant must complete the appropriate box on the **YELLOW** Application Form. The procedure for collection of the refund cheque (where applicable) is the same as that for **WHITE** Application Form applicant. Share certificate for successful applicant using **YELLOW** Application Form will be deposited into CCASS for credit to the applicant’s CCASS Investor Participant stock account or the stock account of the applicant’s designated CCASS Participant. Detailed arrangements are set forth in the section headed “How to Apply for Public Offer Shares—Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus.

For Applicants who apply for less than 1,000,000 Public Offer Shares or apply for 1,000,000 Public Offer Shares or more but have not indicated on their Application Forms that they will collect their Share certificate and/or refund cheques (where applicable) in person, their Share certificate and/or refund cheque (where applicable) will be sent to the address as it appeared on the relevant Application Form in the afternoon on the date of dispatch by ordinary post at the applicant’s own risk.

We will not issue any temporary documents of title in respect of the Offer Shares. Share certificates will become valid certificates of title only if the Global Offering has become unconditional and the Underwriting Agreements have not been terminated in accordance with their respective terms. The Global Offering is expected to become unconditional not later than 8:00 a.m. (Hong Kong time) on Tuesday, November 16, 2010.

**Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to our Company given by the Sole Global Coordinator (on behalf of the Underwriters), upon the occurrence of any of the events set forth in the section headed “Underwriting—Grounds for Termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day trading in our Shares commences on the Stock Exchange.**

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*Leoch International Technology Limited has issued this prospectus solely in connection with the Public Offer and the Public Offer Shares. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Public Offer Shares offered by this prospectus pursuant to the Public Offer. This prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information not given or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Global Coordinator, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it 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 our Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in our Shares are set forth in the section entitled “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in our Shares.*

### OVERVIEW

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

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

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

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## SUMMARY

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

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

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



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## SUMMARY

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### OUR COMPETITIVE STRENGTHS

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

- Leading market position in China with a track record of robust growth
- Strong research and development capabilities
- Vertically integrated production and centralized operations
- Broad range of high quality products
- Extensive global sales and service network
- Experienced and stable management team

### OUR STRATEGIES

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

- Further penetrate China's high-growth sectors
- Continue to expand in the international market
- Capitalize on our research and development expertise
- Expand our production capacity and optimize efficiency

### SUMMARY HISTORICAL FINANCIAL INFORMATION

The following summary historical consolidated statements of comprehensive income for the years ended December 31, 2007, 2008 and 2009 and the six-month periods ended June 30, 2009 and 2010 and the summary historical consolidated statements of financial position as of December 31, 2007, 2008 and 2009 and June 30, 2010 set forth below have been derived from the Accountants' Report issued by Ernst & Young, Certified Public Accountants, Hong Kong, and included in Appendix I to this prospectus. You should read the summary historical financial information below in conjunction with our consolidated financial statements included in "Appendix I—Accountants' Report", which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

## SUMMARY

### *Summary Historical Consolidated Statements of Comprehensive Income*

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	(RMB in millions)				
<b>REVENUE</b> .....	1,129.1	1,499.0	1,391.5	600.6	944.4
Cost of Sales.....	(989.0)	(1,301.4)	(1,112.9)	(484.3)	(707.6)
Gross profit .....	140.1	197.6	278.6	116.3	236.8
Other income and gains .....	5.9	10.2	20.6	11.6	5.5
Selling and distribution costs .....	(34.1)	(43.7)	(57.3)	(23.0)	(27.3)
Administrative expenses.....	(43.4)	(59.0)	(70.1)	(34.1)	(54.6)
Other operating expenses.....	(9.2)	(9.1)	(2.4)	(1.0)	(0.9)
Finance costs .....	(5.4)	(8.3)	(9.6)	(4.7)	(9.5)
<b>PROFIT BEFORE TAX</b> .....	53.9	87.7	159.8	65.1	150.0
Income tax expense .....	(2.3)	(12.9)	(14.5)	(6.9)	(23.0)
<b>PROFIT FOR THE YEAR/PERIOD</b> .....	51.6	74.8	145.3	58.2	127.0
<b>OTHER COMPREHENSIVE INCOME</b>					
Exchange differences on translation of foreign operations .....	2.4	1.5	(0.1)	–	(0.2)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b> .....	54.0	76.3	145.2	58.2	126.8
Profit attributable to:					
Owners of the Company.....	50.6	74.7	145.3	58.2	127.0
Non-controlling interests.....	1.0	0.1	–	–	–
	51.6	74.8	145.3	58.2	127.0
Total comprehensive income attributable to:					
Owners of the Company.....	53.1	76.3	145.2	58.2	126.8
Non-controlling interests.....	0.9	–	–	–	–
	54.0	76.3	145.2	58.2	126.8

## SUMMARY

### *Summary Historical Consolidated Statements of Financial Position*

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment .....	205.0	301.5	367.6	410.6
Prepaid land lease payments .....	38.8	39.8	42.4	56.5
Intangible assets .....	0.3	2.6	2.7	3.5
Long term portion of trade receivables .....	3.6	9.4	19.4	14.0
Deposits paid for purchase of items of property, plant and equipment .....	6.7	27.1	11.4	17.9
Deferred tax assets .....	1.9	1.8	1.6	1.4
Total non-current assets .....	<u>256.3</u>	<u>382.2</u>	<u>445.1</u>	<u>503.9</u>
<b>CURRENT ASSETS</b>				
Inventories .....	154.8	98.6	180.7	311.4
Trade and bills receivables .....	184.4	229.5	340.4	443.0
Prepayments, deposits and other receivables .....	7.8	12.8	28.5	40.9
Tax recoverable .....	–	0.1	0.3	–
Amounts due from related companies .....	21.0	19.6	34.2	22.1
Pledged deposits .....	8.7	15.1	18.8	53.9
Cash and bank balances .....	22.4	35.7	43.2	79.0
Total current assets .....	<u>399.1</u>	<u>411.4</u>	<u>646.1</u>	<u>950.3</u>
<b>CURRENT LIABILITIES</b>				
Trade and bills payables .....	100.3	141.6	163.1	292.5
Dividend payable .....	–	–	–	68.7
Other payables and accruals .....	112.8	118.3	130.6	146.2
Interest-bearing bank borrowings .....	65.2	63.6	173.3	295.3
Amount due to a director .....	15.2	59.8	58.5	70.2
Amounts due to related companies .....	42.6	45.3	54.4	65.1
Income tax payable .....	1.3	8.4	13.4	26.7
Total current liabilities .....	<u>337.4</u>	<u>437.0</u>	<u>593.3</u>	<u>964.7</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b> .....	<u>61.7</u>	<u>(25.6)</u>	<u>52.8</u>	<u>(14.4)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> .....				
	<u>318.0</u>	<u>356.6</u>	<u>497.9</u>	<u>489.5</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities .....	0.8	0.3	0.7	1.8
Total non-current liabilities .....	<u>0.8</u>	<u>0.3</u>	<u>0.7</u>	<u>1.8</u>
Net assets .....	<u>317.2</u>	<u>356.3</u>	<u>497.2</u>	<u>487.7</u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company:</b>				
Issued capital .....	–	–	–	–
Reserves .....	314.7	355.1	497.2	487.7
	<u>314.7</u>	<u>355.1</u>	<u>497.2</u>	<u>487.7</u>
<b>Non-controlling interests</b> .....	2.5	1.2	–	–
Total equity .....	<u>317.2</u>	<u>356.3</u>	<u>497.2</u>	<u>487.7</u>

## SUMMARY

### BREAKDOWN OF REVENUE

The following table sets forth our revenue based on the end use of our products during the Track Record Period:

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

*Note:*

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

Our results of operations have been and are expected to be substantially affected by the types of products we sell and our product mix. The continued growth in our profit during the Track Record Period, despite the decline in our revenue in the year ended December 31, 2009, was principally due to an increase in the sale of batteries to telecommunications customers, as well as increases in the sale of renewable energy storage and SLI batteries. As telecommunications batteries generally have a higher profit margin, they have been and will continue to be key drivers in our growth. However, in accordance with industry practice, we extend a longer credit period to our telecommunications customers than our other customers. Payments are made by telecommunications customers in installments as specified in the framework agreements and purchase orders. We normally receive approximately 70% to 80% of the total order amount within 60 days of signing the purchase order, and receive a subsequent installment half a year to one year after the integration of our products into the telecommunications equipment which is usually completed within two months after signing the purchase order. We then normally receive a final installment of approximately 5% to 10% of the total order amount after the final inspection, which is usually carried out one year after integration.

## SUMMARY

The following table sets forth our revenue by geographic location during the Track Record Period:

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

The following table sets forth our revenue by OEM and non-OEM sales during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2007		2008		2009		2009		2010	
	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)
Domestic – OEM <sup>(1)</sup> . . . . .	12.3	1.1	26.1	1.7	13.2	0.9	10.7	1.8	28.0	3.0
Domestic – non-OEM <sup>(1)</sup> . . . . .	409.5	36.3	531.2	35.5	612.2	44.0	258.5	43.0	333.8	35.3
International – OEM <sup>(1)(2)</sup> . . . . .	653.6	57.9	824.1	55.0	683.6	49.1	282.6	47.1	525.6	55.7
International – non-OEM <sup>(1)(2)</sup> . . . . .	53.7	4.7	117.6	7.8	82.5	6.0	48.8	8.1	57.0	6.0
<b>TOTAL</b> . . . . .	<b>1,129.1</b>	<b>100.0</b>	<b>1,499.0</b>	<b>100.0</b>	<b>1,391.5</b>	<b>100.0</b>	<b>600.6</b>	<b>100.0</b>	<b>944.4</b>	<b>100.0</b>

*Notes:*

- (1) OEM sales represent sales of products under our customers' trademarks or brand names, while non-OEM sales principally include sales of products under our own brand.
- (2) Each of International-OEM and International-non-OEM includes our sales to distributors. Sales to distributors in aggregate accounted for less than 5.0% of our revenue during the Track Record Period.

## SUMMARY

The following table sets forth our gross profit, gross profit margin and gross profit per KVAh by product category during the Track Record Period:

	Year ended December 31,									Six months ended June 30,					
	2007			2008			2009			2009		2010			
	Gross Profit (RMB in millions)	Gross Profit Margin (%)	Gross Profit per KVAh (RMB)	Gross Profit (RMB in millions)	Gross Profit Margin (%)	Gross Profit per KVAh (RMB)	Gross Profit (RMB in millions)	Gross Profit Margin (%)	Gross Profit per KVAh (RMB)	Gross Profit (RMB in millions)	Gross Profit Margin (%)	Gross Profit per KVAh (RMB)	Gross Profit (RMB in millions)	Gross Profit Margin (%)	Gross Profit per KVAh (RMB)
<b>Gross Profit</b>															
Reserve power . . . . .	136.8	12.6	73.6	192.8	13.5	87.6	253.1	20.3	104.4	106.4	19.7	99.9	209.7	25.5	131.3
<i>of which:</i>															
UPS . . . . .	54.2	8.5	45.4	94.3	11.4	64.5	88.8	15.7	66.4	45.1	17.9	80.2	92.8	20.9	97.1
Telecommunications . . . . .	52.6	25.9	171.1	70.6	21.0	190.7	127.3	26.2	176.8	46.9	23.9	138.2	74.3	35.4	205.8
Renewable energy storage . . . . .	3.4	42.5	400.3	5.7	39.3	383.5	13.0	40.2	245.2	2.4	44.5	250.7	7.9	66.1	483.5
Other consumer and industrial products . . . . .	26.6	11.5	76.3	22.2	8.9	62.7	24.0	14.6	76.1	12.0	13.7	77.5	34.7	22.3	131.4
SLI . . . . .	2.5	9.3	33.7	3.1	6.4	29.2	20.7	22.8	89.0	8.2	19.6	81.1	16.9	22.2	98.5
Motive power . . . . .	0.3	9.3	29.5	0.8	12.4	48.6	0.3	9.2	32.9	0.1	9.0	31.8	2.6	36.4	189.7
Other . . . . .	0.5	3.5	N/A	0.9	6.4	N/A	4.5	8.7	N/A	1.6	9.3	N/A	7.6	19.0	N/A
<b>TOTAL</b> . . . . .	<b>140.1</b>	<b>12.4</b>	<b>N/A</b>	<b>197.6</b>	<b>13.2</b>	<b>N/A</b>	<b>278.6</b>	<b>20.0</b>	<b>N/A</b>	<b>116.3</b>	<b>19.4</b>	<b>N/A</b>	<b>236.8</b>	<b>25.1</b>	<b>N/A</b>

### PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2010

Forecast consolidated profit attributable to owners of the Company<sup>(1)</sup> . . . . . not less than RMB253.6 million (equivalent to approximately HK\$290.7 million)

Unaudited pro forma forecast earnings per Share<sup>(2)</sup> . . . . . not less than RMB19.0 cents (equivalent to approximately HK\$21.8 cents)

*Notes:*

- (1) The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this prospectus.
- (2) The calculation of the forecast earnings per Share on an unaudited pro forma basis is based on the forecast consolidated profit attributable to owners of the Company for the year ending December 31, 2010, assuming that we had been listed since January 1, 2010 and a total of 1,333,334,000 Shares had been issued and outstanding during the entire year.
- (3) The unaudited pro forma forecast earnings per Share for the year ending December 31, 2010 is converted at the PBOC Rate from Renminbi into Hong Kong dollars at an exchange rate of RMB0.8724 to HK\$1.00 prevailing on June 30, 2010.

### OFFER STATISTICS

All statistics in this table are based on the assumptions that the Over-allotment Option is not exercised and no options are granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.

	Based on an Offer Price of HK\$3.75 per Share	Based on an Offer Price of HK\$5.35 per Share
Market capitalization <sup>(1)</sup> . . . . .	HK\$5,000.0 million	HK\$7,133.3 million
Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(2)</sup> . . . . .	HK\$1.28	HK\$1.67

## SUMMARY

*Notes:*

- (1) The calculation of market capitalization is based on 1,333,334,000 Shares expected to be issued and outstanding following the Global Offering but takes no account of the Over-allotment Option, options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the section entitled “Financial Information—Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets” in this prospectus and on the basis of 1,333,334,000 Shares in issue at the respective Offer Prices of HK\$3.75 per Share and HK\$5.35 per Share and that the Over-allotment Option is not exercised.

### OUR PRODUCTION FACILITIES

We have five production facilities in China. As of June 30, 2010, we operated a total of 46 production lines. In 2007, 2008, 2009 and the six months ended June 30, 2010, the aggregate lead-acid battery production of all of our production facilities was 1.9 million KVAh, 2.2 million KVAh, 2.7 million KVAh and 1.9 million KVAh, respectively.

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

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

*Notes:*

- (1) Installed capacity at each production facility equals the sum of the production capacity of all of its production lines. The production capacity of each production line for a period is calculated as its daily production capacity multiplied by the number of days in such period since its commissioning. For example, a 300 KVAh production line commissioned on May 15, 2008 had an installed annual capacity of 69,300 KVAh (300 KVAh x 231 days) in 2008 and an annual production capacity of 109,500 KVAh (300 KVAh x 365 days) in 2009.
- (2) Shenzhen’s installed capacity decreased in 2008 because one of the production lines was moved to our Zhaoqing production facility.
- (3) Shenzhen’s utilization rate exceeded 100% due to overtime work.
- (4) As of June 30, 2010, our aggregate annual installed capacity was approximately 5.1 million KVAh, calculated as our aggregate daily installed capacity on June 30, 2010 multiplied by 365 days.

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## SUMMARY

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### ENVIRONMENT, HEALTH AND SAFETY

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

According to MWH Environmental Engineering (Shanghai) Co., Ltd. (“MWH”), an independent environmental consulting company who performed an environmental protection assessment of our five production facilities in the PRC, no major non-compliance issues were identified with respect to applicable PRC regulations, and our production facilities generally display adequate pollution prevention facilities to treat air emissions and wastewater discharge. MWH, however, identified certain issues, including (a) inadequate filings and approvals, (b) inadequate testing and evaluation, and (c) inadequate waste management in relation to Shenzhen Leoch, Dongguan Leoch and Zhaoqing Leoch.

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

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

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



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## SUMMARY

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

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

To ensure on-going compliance, we have further strengthened our staff training on environmental protection. In addition to internal training sessions, we invite environmental experts and legal advisers to provide training on best practices and PRC environmental laws and regulations. Furthermore, our staff attend training provided by industry associations and participate in exchange programs with similar enterprises overseas to gain knowledge and practical experience in the practice of environmental protection in our industry. To ensure regulatory compliance in general, since March 2010, all material changes, including the implementation of new production lines, must be reported to our legal and administrative team which includes (i) one of our executive Directors, (ii) our vice president of production, who is also in charge of our environmental protection unit at the headquarters, has over ten years of experience in implementing regulatory compliance relating to battery production and has been responsible for the construction and expansion projects of our production facilities including the obtaining of relevant necessary approvals and permits, and (iii) a manager and three other staff who have obtained PRC law degrees. Our legal and administrative team, which reports directly to the chairman, attends training on PRC laws and regulations relevant to our operations conducted by external legal advisers and industry groups, and is responsible for updating our management of and ensuring compliance with the latest regulatory development.

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## SUMMARY

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We have implemented strict health and safety guidelines for our employees. Notwithstanding these guidelines, it may not be possible to completely eliminate the effect of lead exposure on our employees. According to China's Diagnostic Criteria of Occupational Chronic Lead Poisoning (《職業性慢性鉛中毒診斷標準》) (GBZ37-2002) (the "Lead Poisoning Criteria"), blood lead levels equal to or more than 600 µg/L are considered to indicate chronic lead poisoning. Under our internal guidelines, which follow the Lead Poisoning Criteria, we consider employees having a blood lead level above 400 µg/L as having elevated blood lead levels, and take measures to reduce their exposure. Although none of our employees has been found to have lead poisoning, there were 15, 23, 16 and seven different employees in the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively, who were found to have elevated blood lead levels, accounting for 0.4%, 0.5%, 0.3% and 0.1%, respectively, of our total number of employees as of the end of such year or period. We have obtained confirmation from the local disease control and prevention centers (疾病預防控制中心) or disease prevention and health care institutes (預防保健所), which are non-profit organizations established and authorized by the relevant bureaus of health (衛生局) to conduct routine occupational health tests required by the PRC law, that the blood lead levels of the affected employees have subsequently dropped to below the level set forth in our internal guidelines upon treatment and none of them was diagnosed with occupational chronic lead poisoning. As advised by our PRC legal advisers, pursuant to applicable PRC laws, the statutory limitation period for compensation lawsuits is normally one year from the date of the occurrence of the injuries. As to the seven employees that were found to have elevated blood lead levels in the six months ended June 30, 2010, although they could still file a civil claim for compensation against us within the statutory limitation period, our PRC legal advisers advised that the likelihood that such claim would be successful and that we would be ordered to pay compensation to them is low because those employees have been satisfactorily treated and transferred to different posts as required by relevant PRC regulations. To minimize future occurrences of elevated blood lead levels, starting in March 2008, our designated safety personnel monitor our employees' compliance with our health and safety procedures on a daily basis. In addition, we have separated the production zone at our production facilities and implemented the requirement that staff must be fully sanitized before entering or leaving the production zone to reduce the risk of contamination. We have also further strengthened the education and training of our employees on occupational health and safety.

### **DIVIDEND AND DIVIDEND POLICY**

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends requires the approval of the Board and will be at its discretion. In addition, any final dividend for a financial year is subject to shareholders' approval. The Board reviews dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- the payment by our subsidiaries of cash dividends to us;
- our results of operations;
- our cash flows and liquidity position;
- statutory and regulatory restrictions;
- our shareholders' interests;
- general business conditions and strategies;
- our capital requirements; and
- other factors the Board may deem relevant.

Our Company was incorporated on April 27, 2010 and no dividend has been declared or paid by our Company as of the Latest Practicable Date.

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## SUMMARY

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On April 6, 2010, Anhui Leoch Battery, based on its distributable profit as of March 31, 2010, declared a dividend of RMB36.3 million to its then shareholder, Uplus. On April 20, 2010, Jiangsu Leoch, based on its distributable profit as of March 31, 2010, declared a dividend of RMB111.4 million to its then shareholder, D&P. In determining the amount of these dividends, we took into consideration the cash flow and operational needs of Anhui Leoch Battery and Jiangsu Leoch, and believed they were sufficient to support these dividends. On the dates such dividends were declared, Anhui Leoch Battery and Jiangsu Leoch were owned and controlled by Mr. Dong through his ownership and control of Uplus and D&P. Therefore, the interests of our Company with respect to these two subsidiaries were aligned before and after Reorganization, and we believe the dividend distribution was in the interests of our Controlling Shareholders and the development of our Company. As of the Latest Practicable Date, total dividends of RMB147.7 million were fully paid by Anhui Leoch Battery and Jiangsu Leoch with their internal resources. Our Directors believe that these dividends were designated to distribute to Mr. Dong a reasonable return on the fruits of his investment in and contribution to our Company over the last 10 years. Taking into consideration the financial resources presently available to us, including cash generated from operations, available loans and banking facilities, and the estimated net proceeds of the Global Offering, our Directors are of the opinion that we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

As a holding company, our ability to pay dividends depends substantially on the payment of dividends to us by our subsidiaries in China. In particular, our PRC subsidiaries may pay dividends only out of their accumulated distributable profits, if any, determined in accordance with their articles of association, and the accounting standards and regulations in China. Moreover, pursuant to relevant PRC laws and regulations applicable to our subsidiaries in the PRC, our PRC subsidiaries are required to set aside a certain amount of their accumulated after tax profits each year, if any, to fund statutory reserves. These reserves may not be distributed as cash dividends. Certain of our subsidiaries have incurred debt in their own name and may do so again in the future. The instruments governing the debt may require the lenders' consent prior to the subsidiaries declaring dividends, or otherwise restrict dividends or other distributions by such subsidiaries to us.

### USE OF PROCEEDS

We estimate that we will receive net proceeds of the Global Offering (after deduction of underwriting fees and estimated expenses payable in relation to the Global Offering, assuming an Offer Price of HK\$4.55 per Share, which is the mid-point of the proposed Offer Price range of HK\$3.75 to HK\$5.35 per Share) of approximately HK\$1,413.6 million assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- approximately 60% of net proceeds to us (approximately HK\$848.2 million) for expansion of our production capacity. We have recently acquired a parcel of land near our Anhui production facility for which we intend to use for the production of our battery products. We also plan to add, in 2011 and 2012, more production lines at our Zhaoqing, Anhui and Jiangsu production facilities. We plan our capacity additions based on our business expansion plans and estimated market demand;
- approximately 10% of net proceeds to us (approximately HK\$141.4 million) for research and development of new products using new technologies, particularly spiral pure lead technology, and for improving existing products and technologies, such as TPPL and tubular gel technologies. We plan to use approximately HK\$35.0 million to build a new research facility by 2012, and the rest of the net proceeds to hire more research personnel, and purchase research-related equipment and materials;

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## SUMMARY

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- approximately 10% of net proceeds to us (approximately HK\$141.4 million) for expansion of our sales channels in China and internationally. We intend to increase the size of our sales team, expand our sales operations to new locations in China and the United States, and develop our sales operations in the U.K. and Singapore in the next two years. We also plan to set up sales offices and/or warehouses in strategic locations in South America, Africa and other Asian regions;
- approximately 10% of net proceeds to us (approximately HK\$141.4 million) for potential acquisitions that expand our sales channels or provide access to new technology. As of the Latest Practicable Date, we have not identified any targets nor entered into any letters of intent or agreements in relation to any potential acquisitions; and
- approximately 10% of the net proceeds to us (approximately HK\$141.4 million) for working capital and other general corporate purposes.

If the Offer Price is set at the high end of the proposed Offer Price range, we estimate that we will receive an aggregate net proceeds of approximately HK\$1,670.9 million. If the Offer Price is set at the low end of the proposed Offer Price range, we estimate that we will receive an aggregate net proceeds of approximately HK\$1,156.3 million. In the event that the Over-allotment Option is exercised in full, we will receive an aggregate net proceeds ranging from approximately HK\$1,337.2 million (assuming an Offer Price of HK\$3.75 per Share, being the low end of the proposed Offer Price range) to HK\$1,929.1 million (assuming an Offer Price of HK\$5.35 per Share, being the high end of the proposed Offer Price range). The above allocation of the net proceeds will be adjusted on a pro rata basis, in the event the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range.

To the extent that our net proceeds from the Global Offering are not immediately required for the above purposes, we intend to deposit the proceeds in interest-bearing bank accounts with banks and/or other authorized financial institutions or to hold the proceeds in money-market instruments such as treasury bills, commercial paper and bankers' acceptances with authorized financial institutions.

We will issue an announcement if there is any material change in the above proposed uses of proceeds.

### **RISK FACTORS**

There are certain risks relating to an investment in our Shares. These can be categorized into (i) risks relating to our business and our industry; (ii) risks relating to the PRC; and (iii) risks relating to the Global Offering and our Shares. A detailed discussion of the risk factors is set forth in the section entitled "Risk Factors".

#### ***Risks Relating to Our Business and Our Industry***

- We face intense competition in our major markets and continuing pressure to reduce our production costs to remain price competitive.
- We derive a significant portion of our income from our major customers, particularly UPS and telecommunications customers, and we have no long-term sales contracts with our customers. Our results of operations could be adversely affected if we lose these customers.
- Our international sales and marketing plans and strategies may not yield the desired results.
- A key part of our strategy involves continuing to grow our sales in China; however, we depend on the continuing growth of China's economy for this strategy to succeed.
- Fluctuations in the prices of raw materials, such as lead, could materially and adversely affect our results of operations.
- We rely on our major suppliers for our primary raw materials.

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## SUMMARY

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- If our OEM customers come to view products sold under our brand as competing with their products, they may reduce or cease their purchases from us, and our business may be adversely affected.
- Significant order cancellations, reductions or delays by our customers could materially adversely affect our business.
- Any economic downturn could have a material adverse impact on our business, results of operations and financial condition.
- If we are unable to successfully develop new technology or new products, our business, results of operations and prospects may be adversely and materially affected.
- Spending patterns in the industries we serve could adversely affect our results of operations.
- Our sales may be subject to the seasonality of the industries we serve.
- Our capacity expansion plans are subject to risks and uncertainties, and may be difficult or expensive to manage.
- We may undertake acquisitions, investments, joint ventures or other strategic alliances, which may have a material adverse effect on our ability to manage our business, and such undertakings may be unsuccessful.
- Our operations and financial performance may be materially and adversely affected if we experience any major disruptions, damage or destruction at our production facilities.
- Insufficient electricity supply or an increase in electricity prices could adversely affect our business, financial condition and results of operations.
- Failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect those rights may be costly and may not be resolved in our favor.
- We may be exposed to infringement or misappropriation claims, which, if determined adversely against us, could require us to pay significant damage awards.
- Any problems with product quality or performance could result in a loss of customers and sales and decrease in market share and may subject us to products liability claims.
- We may experience difficulty in collecting our receivables from our customers and our liquidity and financial condition would be negatively impacted.
- We recorded net current liabilities as of December 31, 2008 and June 30, 2010, and we cannot assure you that we will not experience a net liability position again in the future.
- We had negative operating cash flow in the year ended December 31, 2009, and we cannot guarantee that we will be able to generate sufficient net cash inflow from our operations in the future.
- Our future success depends on the continuing services of our senior management team and other key personnel, as well as our ability to attract and retain personnel.
- We may be subject to civil claims or administrative sanctions for our operations or potential harm to employees caused by our operations and may not be able to meet the increasingly stringent environment protection requirements imposed by the PRC government.
- The lead-acid battery industry may be adversely affected by the introduction of laws, regulations and policies that govern the recycling and disposal of battery products.
- We may face accidents in our production process, which could result in significant production interruption, delays or liability claims for substantial damages.
- Our insurance coverage may be inadequate to protect us from potential losses.
- Failure to develop appropriate internal control and management structures in line with our rapid growth could result in a material adverse effect on our business, prospects, financial condition and results of operations.

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## SUMMARY

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- We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.
- Our non-compliance with certain housing fund and social security contributions regulations in the PRC could lead to the imposition of fines or penalties.
- Labor disputes could significantly affect our business.
- We may not successfully obtain and maintain the necessary regulatory permits or approvals for the manufacture and sale of our products in certain markets.
- If we cannot renew our certifications of battery products and production systems, our business and results of operations may be materially and adversely affected.
- If the application of Shenzhen Kukeng Central Cooperative Joint Stock Company for collective construction land use right is not approved, we may not be able to continue to use the relevant property and may incur relocation costs and losses that could affect our results of operations.
- We have not obtained formal title certificates to some of the properties we occupy and some of our landlords lack relevant title certificates for properties leased to us, which may materially and adversely affect our rights to use such properties.
- Substantially all of our revenue is derived from batteries using lead-acid technology. If the lead-acid battery market does not grow at the rate we expect or at all, or if lead-acid technology is replaced by another technology, our business, profitability and future prospects may be materially and adversely affected.
- The decrease or unavailability of government grants may adversely affect our results of operations.

### *Risks Relating to the PRC*

- Changes in the economic, political and social conditions in the PRC may have a material and adverse effect on our business, financial condition, results of operations and prospects.
- A slowdown of China's economy may adversely affect our business, results of operations and financial condition.
- We may be deemed a PRC resident enterprise under the New Enterprise Income Tax Law and be subject to the PRC taxation on our worldwide income.
- Our Hong Kong subsidiary is subject to PRC withholding tax under the New Enterprise Income Tax Law and we may not be able to enjoy the preferential tax rate of 5%.
- We may not continue to receive preferential tax treatment currently available to us, and the increase in enterprise income tax could decrease our net income and materially and adversely affect our financial condition and results of operations.
- Our future restructuring may face uncertainties under the Notice on Strengthening Enterprise Income Taxation on Non-resident Enterprises with respect to Gains from Equity Transfer ("Notice 698") released in December 2009 by the State Administration of Taxation.
- Fluctuation in the exchange rates of the Renminbi may affect the amount of our export revenue and have a material adverse effect on your investment.
- The PRC's legal system is still evolving and the uncertainties as to the interpretation and enforcement of PRC laws could have a material adverse effect on us.

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## SUMMARY

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- You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on foreign laws against us and our directors and senior management.
- PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds we receive from this offering to make loans or additional capital contributions to our PRC operating subsidiaries.
- PRC regulations relating to the establishment of offshore special purpose companies by PRC nationals may subject our PRC resident shareholders to personal liability, limit our ability to inject capital into our consolidated PRC subsidiaries, limit the ability of our consolidated PRC entities to distribute profits to us, or otherwise adversely affect us.
- Governmental control over the conversion of foreign exchange may affect the value of your investment and limit our ability to utilize our cash effectively.
- Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options and restricted share units may subject such employees or us to fines and legal or administrative sanctions.
- China Securities Regulatory Commission ("CSRC") or other relevant PRC government authorities may have a different interpretation of the New M&A Rules and may determine that its approval is required with respect to this offering.
- New Labor Laws in the PRC may adversely affect our results of operations.
- Our business may be adversely affected by a recurrence of SARS or an outbreak of other epidemics, such as influenza A (H1N1) and avian flu (H5N1), and natural disasters.

### *Risks Relating to the Global Offering and Our Shares*

- After the Global Offering, the price of our Shares may be volatile, and you may be unable to resell your Shares at or above the Offer Price, or at all.
- Volatility in the global financial markets could cause significant fluctuations in the prices of our shares.
- We will continue to be controlled by our Controlling Shareholders, whose interests may not align with those of our other shareholders.
- Any future issuance of Shares by us may dilute your shareholding and future sales of a substantial number of our Shares may adversely affect the price of our Shares.
- Our historical dividend payments should not be taken as an indication of our future dividend policy or our payment of dividends in the future.
- Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to taxes under PRC tax laws.
- Investors may face difficulties in protecting their interests because we are incorporated under Cayman Islands law, and Cayman Islands law may provide different remedies to minority shareholders when compared with the laws of Hong Kong and other jurisdictions.
- Forward-looking information may prove inaccurate.

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## DEFINITIONS

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*In this prospectus, the following expressions have the following meanings unless the content otherwise requires. Certain technical terms are explained in the section headed “Glossary” in this prospectus.*

“Access Bright”	Access Bright Group Limited (普明集團有限公司), a limited liability company established in the BVI on January 8, 2007 and wholly-owned by Mr. Dong
“Anhui Leoch Battery”	Anhui Leoch Battery Technology Corp. (安徽理士電池技術有限公司), formerly known as Anhui Uplus Energy Technology Co., Ltd. (安徽力普拉斯電源技術有限公司), a limited liability company established in the PRC on July 26, 2006 and a wholly-owned subsidiary of Leoch Power Supply
“Anhui Leoch Power”	Anhui Leoch Power Supply Corp. (安徽理士電源技術有限公司), a limited liability company established in the PRC on October 26, 2010 and a wholly-owned subsidiary of Leoch Power Supply
“Application Form(s)”	<b>WHITE</b> application form(s), <b>YELLOW</b> application form(s) and <b>GREEN</b> application form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company, adopted on October 14, 2010 and as amended from time to time, a summary of which is set out in Appendix VI to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Leoch”	Beijing Leoch Engineering Technology Co., Ltd. (北京理士奧電源技術有限公司), a limited liability company established in the PRC on December 14, 2004 and a wholly-owned subsidiary of Shenzhen Leoch
“Board” or “Board of Directors”	the board of directors of our Company
“BOCI”	BOCI Asia Limited, a licensed corporation under the SFO for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate



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## DEFINITIONS

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“Capitalization Issue”	the issue of 999,999,999 new Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Written resolutions of the sole Shareholder of our Company passed on October 14, 2010” under the section headed “Further Information about the Company” in Appendix VII to this prospectus
“Catherine Holdings”	Catherine Holdings International Company Limited, a limited liability company incorporated in the BVI on May 3, 2010 and wholly owned by our Company
“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
“Cents”	a monetary unit that equals to $\frac{1}{100}$ of the basic monetary unit
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“Citi”, “Sole Global Coordinator” or “Sole Sponsor”	Citigroup Global Markets Asia Limited, which is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 7 (providing automated trading services) regulated activities under the SFO
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company” and “our Company”	Leoch International Technology Limited 理士國際技術有限公司, a company incorporated on April 27, 2010 as an exempted company under the laws of the Cayman Islands
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Controlling Shareholder(s)”	Mr. Dong and Master Alliance
“Director(s)”	the director(s) of our Company
“Dongguan Leoch”	Dongguan Leoch Battery Technology Co., Ltd. (東莞市理士奧電源技術有限公司), a limited liability company established in the PRC on November 27, 2002 and a wholly-owned subsidiary of Jiangsu Leoch
“Dongguan Leoch Power Supply”	Dongguan Leoch Power Supply Co., Ltd. (東莞理士電源製品有限公司), a limited liability company incorporated in the PRC in which Mr. Dong has a 60% equity interest
“D&P”	D & P International Research and Development Corp., a limited liability company established in the State of California, the United States on February 5, 2002 and wholly-owned by Mr. Dong
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) promulgated on March 16, 2007 that became effective on January 1, 2008
“Euro”	the lawful currency of the member states of the European Union that adopted the single currency
“GB£”	Great Britain Pounds, lawful currency of Great Britain
“GDP”	gross domestic product
“Global Offering”	the Public Offer and the International Offering
“GREEN application form(s)”	the application form(s) to be completed by the <b>WHITE Form eIPO</b> Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we”, “our” and “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“HK\$” and “HK dollar”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Honour Label”	Honour Label Investments Limited, a limited liability company incorporated in the British Virgin Islands on February 28, 2005 and a wholly-owned subsidiary of Catherine Holdings
“IASB”	International Accounting Standards Board
“IFRS”	International Financial Reporting Standards (including the International Accounting Standards and their interpretations) issued by the IASB
“Independent Third Party”	person(s) or company/companies and their respective ultimate beneficial owner(s), which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are independent of the Company and its Connected Person
“International Offer Shares”	the 300,000,000 Shares being initially offered for sale under the International Offering together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus
“International Offering”	the conditional offering of the International Offer Shares (a) in the United States to QIBs in reliance on Rule 144A under the U.S. Securities Act or another exemption from the registration requirement under the U.S. Securities Act, and (b) outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of underwriters which is expected to enter into International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering and expected to be entered into among us, the Controlling Shareholders, and the International Underwriters on or around November 9, 2010
“Jiangsu Leoch”	Leoch Battery (Jiangsu) Corp. (江蘇理士電池有限公司), a limited liability established in the PRC on March 11, 2003 and a wholly-owned subsidiary of Leoch Power Supply
“Joint Bookrunners”	Citi and BOCI
“Joint Lead Managers”	Citi and BOCI

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## DEFINITIONS

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“Kinetic Growth”	Kinetic Growth International Limited (繼增國際有限公司), a limited liability company established in Hong Kong on January 11, 2008 and is 50% owned by Peak Year and 50% owned by Sheldon
“Kunming Leoch”	Kunming Leoch Engineering Technology Co., Ltd. (昆明理士奧工程技術有限公司), a limited liability company established in the PRC on May 25, 2006 and a wholly-owned subsidiary of Shenzhen Leoch
“Latest Practicable Date”	October 28, 2010, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Leoch Battery Company”	Leoch Battery Company Limited, a limited liability company established in Hong Kong on April 25, 2007 and a wholly-owned subsidiary of Peak Year
“Leoch Battery Corp”	Leoch Battery Corporation, a limited liability company established in the State of California, the United States on June 17, 2003 and a wholly-owned subsidiary of Catherine Holdings
“Leoch Battery Pte”	Leoch Battery Pte. Ltd., a limited exempt private company established in the Republic of Singapore on April 5, 2010 and a wholly-owned subsidiary of Leoch Power Supply
“Leoch Europe”	Leoch Europe Limited, a private limited company established in England and Wales, the United Kingdom on January 5, 2010 and a wholly-owned subsidiary of Leoch Battery Company
“Leoch Power Supply”	Leoch Power Supply (H.K.) Limited (理士電源(香港)有限公司), a limited liability company established in Hong Kong on August 18, 2004 and a wholly-owned subsidiary of Honour Label
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date, expected to be on or about November 16, 2010, on which our Shares are first listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Master Alliance”	Master Alliance Investment Limited, a limited liability company incorporated in the BVI on April 7, 2010 and wholly owned by Mr. Dong
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company, as amended from time to time

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## DEFINITIONS

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“Mr. Dong”	Mr. Dong Li (董李), our founder, chairman and chief executive officer
“Nanjing Leoch”	Nanjing Leoch Battery Technology Co., Ltd. (南京理士奧電源技術有限公司), a limited liability company established in the PRC on March 15, 2006 and a wholly-owned subsidiary of Shenzhen Leoch
“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued, or purchased and sold pursuant to the Global Offering, to be determined as further described in the section headed “Structure of the Global Offering—Pricing and Allocation” in this prospectus
“Offer Shares”	the Public Offer Shares and the International Offer Shares
“Over-allotment Option”	the option to be granted by us to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters, pursuant to which we may be required to issue up to 50,000,000 additional Shares, representing 15% of the Shares initially available under the Global Offering at the Offer Price, to, among other things, cover over-allocations in the International Offering (if any) as further described in the section headed “Structure of the Global Offering”
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Peak Year”	Peak Year Investments Limited (峰年投資有限公司), a limited liability company incorporated in the British Virgin Islands on January 25, 2007 and a wholly-owned subsidiary of Catherine Holdings
“Pre-IPO Share Option Scheme”	the Pre-IPO Share Option Scheme conditionally adopted by the Company pursuant to written resolutions passed by its sole Shareholder on May 25, 2010, a summary of the principal terms of which is set out in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix VII to this prospectus
“Price Determination Date”	the date, expected to be on or around November 9, 2010 but no later than November 14, 2010, on which the Offer Price is fixed for the purposes of the Global Offering
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and in the Application Forms relating thereto

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## DEFINITIONS

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“Public Offer Shares”	the 33,334,000 Shares being initially offered by our Company for subscription under the Public Offer at the Offer Price (subject to adjustment as described in the section headed “Structure of the Global Offering” to this prospectus)
“Public Offer Underwriters”	the underwriters of the Public Offer listed in “Underwriting—Public Offer Underwriters”
“Public Offer Underwriting Agreement”	the underwriting agreement dated November 2, 2010 relating to the Public Offer entered into among us, the Controlling Shareholders, the Sole Sponsor and the Public Offer Underwriters
“QIBs”	“qualified institutional buyers” as such term is defined in Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the corporate reorganization of our Group in preparation for the listing of the Shares on the Stock Exchange, details of which are set forth under “Our Reorganization” in the section headed “History, Reorganization and Group Structure” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SG\$”	Singapore dollars, the lawful currency of Singapore
“Share(s)”	ordinary share(s) with nominal value of HK\$0.10 each in the share capital of our Company
“Share Option Scheme”	our share option scheme conditionally adopted pursuant to resolutions passed by our Shareholders at an extraordinary general meeting held on October 14, 2010, the principal terms of which are summarized in the section headed “Share Option Scheme” in Appendix VII to this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Shenzhen Marshall Green Power”	Shenzhen Marshall Green Power Co., Ltd. (深圳瑪西爾電動車有限公司), a limited liability company established in the PRC and wholly owned by Mr. Dong

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## DEFINITIONS

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“Shenzhen Marshall Power Supply”	Shenzhen Marshall Power Supply Co., Ltd. (深圳市瑪西爾能源技術有限公司), a limited liability company established in the PRC and wholly owned by Mr. Dong
“Shenzhen Leoch”	Shenzhen Leoch Battery Technology Co., Ltd. (深圳理士奧電源技術有限公司), a limited liability company established in the PRC on April 26, 1999 and a wholly-owned subsidiary of Jiangsu Leoch
“Shenzhen Leoch Battery”	Leoch Battery Shenzhen Corp. (深圳理士電池技術有限公司), a limited liability company established in the PRC on September 27, 2007 and a wholly-owned subsidiary of Shenzhen Leoch
“Shieldon”	Shieldon International Limited (順東國際有限公司), a limited liability company incorporated in the British Virgin Islands on January 19, 2007 and a wholly-owned subsidiary of Catherine Holdings
“Stabilizing Manager”	Citigroup Global Markets Asia Limited
“Stock Borrowing Agreement”	the stock borrowing agreement which may be entered into on or about the Price Determination Date between Master Alliance and the Stabilizing Manager
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the financial period comprising the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010
“U.K.”	the United Kingdom
“Underwriters”	collectively, the Public Offer Underwriters and the International Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America
“Uplus”	Uplus International Corp., a limited liability company established in the State of California, the United States on November 22, 2005 and wholly owned by Mr. Dong
“US\$”	U.S. dollars, the lawful currency of the United States
“U.S. Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

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## DEFINITIONS

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“WHITE Form eIPO”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“WHITE Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Xining Leoch”	Xining Leoch Engineering Technology Co., Ltd. (西寧理士奧工程技術有限公司), a limited liability company established in the PRC on November 15, 2006 and a wholly-owned subsidiary of Shenzhen Leoch
“Zhaoqing Leoch”	Zhaoqing Leoch Battery Technology Co., Ltd. (肇慶理士電源技術有限公司), a limited liability established in the PRC on May 9, 2005 and a wholly-owned subsidiary of Leoch Power Supply
“%”	per cent.

*The English names of the PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.*



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## GLOSSARY

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*This glossary contains certain definitions of technical terms used in this prospectus as they related to us. Some of these definitions may not correspond to standard industry definitions.*

“ABS plastic”	acrylonitrile butadiene styrene plastic, a common thermoplastic used to make light, rigid and molded products
“AGM VRLA battery”	absorbent glass mat battery, a class of VRLA battery in which the electrolyte is absorbed into a mat of fine glass fibers
“Ah”	ampere-hours, an unit of electric charge
“battery capacity”	number of ampere-hours (Ah) a fully charged cell or battery can deliver under specified conditions of discharge
“electrode plate”	electrical conductor and the associated active materials at which an electrochemical reaction occurs; also referred to as the positive and negative plates in a rechargeable battery
“electrolyte”	medium which provides the ion transport function between the positive and negative electrode plates in a battery
“energy density”	amount of energy stored in a given volume; calculated as the amount of energy divided by the weight of the battery
“gel VRLA battery”	a class of VRLA battery with gelified electrolyte
“GFA”	gross floor area
“ISO”	the short form of the name of the International Organization for Standardization, a non-governmental organization which sets the ISO standards, which are worldwide industrial and commercial standards
“KVAh”	kilo volt ampere-hours
“kWh”	kilowatt hour
“lead-acid battery”	a battery using lead sulphate converted from lead oxide and metallic lead as its electrodes
“motive power battery”	a lead-acid battery which provides power for motion
“mu”	a unit of measure used in China that is equivalent to $666\frac{2}{3}$ square meters
“OEM”	acronym for original equipment manufacturer, a business that manufactures good or equipment for branding and resale by others
“primary battery”	a battery which cannot be recharged and is discarded when it has delivered its useful capacity

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## GLOSSARY

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“TPPL VRLA battery”	a type of VRLA battery made with punched, thin plate pure lead plates instead of lead alloy plates
“rechargeable battery” or “secondary battery”	a battery that after discharge may be restored to its charged state by passage of an electrical current through the cell
“reserve power battery”	a lead-acid battery used to ensure continuous power supply in case of primary power sources failure or outage and to store electricity generated by an attached source
“separator”	electrically insulating layer of material which physically separates electrode plates or opposite polarity
“SLI battery”	a starting, lighting or ignition lead-acid battery used to start up vehicles or other internal combustion engines
“spiral pure lead battery”	a battery whose electrode plates are made with pure lead and are wound into a spiral form to make cylindrical cells
“sq.m.”	square meter(s)
“TPPL”	thin plate pure lead
“tubular gel VRLA battery”	a battery made with tubular positive electrode plates and flat pasted negative plates with lead-calcium alloy grid and gelled electrolyte
“UPS”	uninterruptible power supply, an electrical apparatus that provides emergency power when there is a primary power source failure or an outage
“voltage”	electromotive force or potential difference, expressed in volts (V)
“VRLA battery”	a valve-regulated lead-acid battery; a battery with a pressure relief valve which opens when the battery’s internal hydrogen evolution becomes dangerously high during a charge; also called sealed lead-acid battery or maintenance free lead-acid battery
“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 those with pH values higher than 7 are considered alkaline
“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 0.000001g per litre

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## GLOSSARY

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“ $\mu\text{g/gHB}$ ”	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 $\mu\text{g/gHB}$ is equal to one microgram per gram hemoglobin or 0.000001g per gram hemoglobin
“ $\mu\text{g/m}^3$ ”	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 $\mu\text{g/m}^3$ is equal to one microgram per cubic meter or 0.000001g per cubic meter
“ $\text{mg/L}$ ”	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 $\text{mg/L}$ is equal to one milligram per litre or 0.001 g per litre

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections entitled “Summary”, “Risk Factors”, “Future Plans and Use of Proceeds”, “Industry Overview”, “Our Business” and “Financial Information”. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors”, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our future business development;
- the expected growth and market opportunities as to the battery industry in China and in the international market;
- our ability to meet the changing needs of our clients;
- our ability to enter into new geographic markets and expand our operations;
- our expectations with respect to our ability to acquire and maintain regulatory qualifications required to operate our business;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to successfully expand our sales and service network;
- changes in the political, economic, legal and social conditions in the PRC;
- changes in the environmental protection policy in the PRC;
- fluctuations in general economic and business conditions in China; and
- changes in currency exchange rates.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant government authorities relating to all aspects of our business;
- general economic, market and business conditions in China;
- macroeconomic policies of the PRC government;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- the effects of competition in the battery industry;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

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## FORWARD-LOOKING STATEMENTS

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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. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in section entitled “Risk Factors”.

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## RISK FACTORS

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

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

### RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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

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

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



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## RISK FACTORS

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

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

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

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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

Our future success depends heavily upon the continuing services, efforts and performance of all our executive directors and members of our senior management team as set out under the section titled “Directors and Senior Management” of this prospectus. Our management team comprises both experienced engineers and professional managers with extensive experience in the battery industry. If one

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## RISK FACTORS

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or more of our senior executives, key research and development personnel or other personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected.

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

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

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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

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

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



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## RISK FACTORS

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

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

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

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

Pursuant to the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) as amended in 2002, the relevant housing fund authority may order an enterprise to pay outstanding contributions within a prescribed time limit. If the enterprise fails to do so at the expiration of the time limit, a penalty ranging from RMB10,000 to RMB50,000 may be imposed. Therefore, the maximum penalty that we may be subject to in respect of the outstanding housing fund contributions is

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

***Labor disputes could significantly affect our business.***

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

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

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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

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

As of August 31, 2010, our landlords have not provided us with the relevant land use right certificates, building ownership certificates and/or real estate certificates with respect to some properties leased to us. If our landlords are not the owner or not authorized by the real owner to lease to the properties to us, we might need to seek alternative premises and incur additional costs relating to such relocations. In addition, we have not registered all the lease agreements with the relevant PRC

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## RISK FACTORS

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authorities. Although the lack of registration may not affect the validity of such lease agreements, any third party in good faith may challenge such lease agreements and we may not be able to continue to lease such premises.

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

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

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

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

### RISKS RELATING TO THE PRC

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

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

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## RISK FACTORS

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

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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## RISK FACTORS

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

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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## RISK FACTORS

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

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

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

### RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

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

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

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

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

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

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

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## RISK FACTORS

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

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

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

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

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

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

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

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

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## RISK FACTORS

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

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

*Forward-looking information may prove inaccurate.*

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

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

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### MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Since our operations are managed and conducted principally in the PRC, and two of our executive Directors ordinarily reside in the PRC while the remaining executive Director ordinarily resides in the United States, we believe that it would be practically difficult and commercially unnecessary for our Company to either relocate two executive Directors to Hong Kong or to appoint two additional executive Directors who are Hong Kong residents. For the purposes of our management and operations, relocation of two executive Directors to Hong Kong or appointment of additional executive Directors who are ordinarily resident in Hong Kong would not only increase our administrative expenses, but would also reduce the effectiveness and responsiveness of our board of directors in making decisions, especially when business decisions are required to be made within a short period of time. In addition, by appointing new executive Directors, who may not be familiar with our operations, to the board of our Company for the sole purpose of satisfying the requirements of Rule 8.12 of the Listing Rules may not be in the best interest of our Company and its shareholders as a whole. As such, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules.

In view of that, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the compliance with Rule 8.12 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

- (a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that we comply with the Listing Rules at all times. The two authorized representatives are Mr. Dong, an executive Director, and Liu Shuen Kong, the chief financial officer and company secretary. Each of the authorized representatives will be available to meet with the Stock Exchange on reasonable notice as and when required and will be able to contact the Directors promptly at all times by telephone, facsimile and where applicable, by email as and when the Stock Exchange wishes to contact the Directors on any matters.
- (b) Each of the Directors (including the independent non-executive Directors) holds valid travel documents such that he/she will be available to travel to Hong Kong to meet with the Stock Exchange within a reasonable time frame upon request of the Stock Exchange. Each of them will be readily contactable by telephone, facsimile and where applicable, by email, and is authorized to communicate on our behalf with the Stock Exchange.
- (c) We have appointed Liu Shuen Kong, who is ordinarily resident in Hong Kong, as our company secretary. He will (a) provide his office phone number, mobile phone number, facsimile number and email address to the Stock Exchange; and (b) be able to contact the Directors and the other authorized representative promptly by telephone, facsimile and where applicable, by email at all times as and when the Stock Exchange wishes to contact the Directors on any matters.
- (d) We will appoint Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to the authorized representatives, the Directors and the other senior management, and will act as our principal channel of communication with the Stock Exchange when the authorized representatives are not available. The compliance adviser will be appointed for a period commencing on the Listing

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

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Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The compliance adviser will act as an additional channel of communication with the Stock Exchange.

- (e) To further enhance communication between the Stock Exchange, the authorized representatives and the Directors, we have implemented a policy whereby (a) each Director will have to provide his mobile phone number, residential phone number, facsimile number and where applicable, email address to the authorized representatives; (b) in the event that a Director expects to travel and be out of office, he will have to provide the phone number of the place of his accommodation or other means of communications to the authorized representatives; and (c) all Directors will provide their mobile phone numbers, office phone numbers, facsimile numbers and where applicable, email addresses to the Stock Exchange.
- (f) Meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the compliance advisor, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any change in the authorized representatives and/or compliance adviser.

### PRE-IPO SHARE OPTION SCHEME

We have applied for (a) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under rule 17.02(1)(b) and paragraph 27 of Part A of Appendix 1 to the Listing Rules; and (b) a certificate of exemption under section 342A of the Companies Ordinance from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of the Third Schedule to the Companies Ordinance. Our applications are based on the grounds set forth below, and the Stock Exchange and the SFC have granted the respective waiver and certificate of exemption subject to certain conditions.

#### *Exemption would not prejudice the interests of the investing public*

This prospectus includes information on the total number of Shares subject to the Pre-IPO Share Option Scheme and the percentage of our issued share capital represented by such Shares, the consideration paid for the options, the exercise price per Share, the potential dilutive effect on our Shareholders, the impact on our earnings per Share upon exercise of the outstanding options and the terms of the options. Our Directors consider that all information related to the Pre-IPO Share Option Scheme that is reasonably necessary for potential investors to make an informed assessment of our activities and financial position has been disclosed in this prospectus, and therefore an exemption from compliance with the relevant rules would not prejudice the interests of the investing public.

#### *Strict compliance with Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules and paragraph 10(d) of the Third Schedule to the Companies Ordinance would be unduly burdensome*

As options will be granted to 147 present employees under the Pre-IPO Share Option Scheme, full disclosure pursuant to Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, including the names and addresses of all 147 grantees, would be unduly burdensome. It is estimated that complete disclosure of the name and address of, and options granted to each grantee would significantly increase the cost for drafting and printing. Furthermore, full disclosure may also negatively impact our relationships with the grantees, as some grantees may become dissatisfied with the options granted to them after comparing with options granted to other grantees.



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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

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The Stock Exchange has granted the waiver to us, subject to the following conditions:

- (i) full disclosure in this prospectus on all options under the Pre-IPO Share Option Scheme granted to each of the Directors, senior management, connected persons and grantees who have been granted options for 1,000,000 option Shares or more, including all the particulars required under paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance and Rule 17.02(1)(b) and paragraph 27 of Part A of Appendix 1 to the Listing Rules;
- (ii) disclosure in this prospectus, for the remaining grantees on an aggregate basis, (a) their aggregate number and the number of Shares underlying the options granted, (b) the consideration paid for the options, (c) the exercise period of each option, and (d) the exercise price of the options;
- (iii) disclosure in this prospectus the aggregate number of Shares underlying the options under the Pre-IPO Share Option Scheme and the percentage of our issued share capital represented by them, the dilution effect and impact on earnings per Shares upon full exercise of the options under the Pre-IPO Share Option Scheme; and
- (iv) availability for public inspection a full list of all grantees under the Pre-IPO Share Option Scheme with all the particulars required under the Companies Ordinance and the Listing Rules.

The SFC (pursuant to section 342A of the Companies Ordinance) has granted the certificate of exemption to us on the following conditions:

- (i) full details of the options granted by our Company under the Pre-IPO Share Option Scheme to each of the grantees who is (a) a director of our Company or its subsidiaries or a member of our Company's senior management; or (b) not a director of our Company or its subsidiaries or a member of our Company's senior management but has been conditionally granted options under the Pre-IPO Share Option Scheme to subscribe for 1,000,000 Shares or more, are disclosed in the prospectus; such details include all the particulars required under paragraph 10 of the Third Schedule to the Companies Ordinance;
- (ii) in respect of options granted by our Company to employees of our Group other than those referred to in (i) above, the following details are disclosed in this prospectus:
  - (a) the aggregate number of grantees and number of Shares subject to such options;
  - (b) the consideration paid for the grant of such options; and
  - (c) the exercise period and the exercise price for such options; and
- (iii) a list of all the grantees (including the persons referred to in (i) above) who have been conditionally granted with options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing full details as required under paragraph 10 of the Third Schedule to the Companies Ordinance, be made available for public inspection in accordance with the section headed "Documents Available for Inspection" in Appendix VIII to this prospectus.

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## **WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE**

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Further details of the options under the Pre-IPO Share Option Scheme are set out in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix VII to the prospectus.

### **CONTINUING CONNECTED TRANSACTIONS**

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, waivers in relation to certain continuing connected transactions under Chapter 14A of the Listing Rules. For further details, please refer to the section headed “Connected Transactions” in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus and the related Application Forms include particulars given in compliance with the Companies Ordinance, the SFO, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information with regard to our Group. Our directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and the related Application Forms and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

- the facts contained in this prospectus are accurate and complete in all material respects and not misleading or deceptive;
- there are no other facts the omission of which would make any statement herein misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful considerations, and are founded on bases and assumptions that are fair and reasonable.

### **FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Public Offer, which forms part of the Global Offering. The Global Offering comprises the International Offering of initially 300,000,000 Offer Shares and the Public Offer of initially 33,334,000 Offer Shares, each subject to the re-allocation on the basis as described in the section headed “Structure of the Global Offering” in this prospectus.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. Subject to the terms of the Underwriting Agreements, the Public Offer Shares are fully underwritten by the Public Offer Underwriters and the International Offer Shares are fully underwritten by the International Underwriters. Further information regarding the Underwriters and the underwriting arrangements are set out in the section headed “Underwriting” in this prospectus.

### **INFORMATION ON THE GLOBAL OFFERING**

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions set out herein and therein. 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 the related Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by the Company, the Underwriters and any of their respective directors, officers, employees, agents or representatives or any other persons involved in the Global Offering.

### **SELLING RESTRICTIONS**

Each person acquiring the Public Offer Shares will be required to, or be deemed by his acquisition of the Public Offer Shares to, confirm that he is aware of the restrictions on offers of the Public Offer Shares described in this prospectus and the related 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. Accordingly, and without limitation to the following, 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 distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Public Offer Shares have not been publicly offered or sold directly or indirectly, in the PRC or the United States.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **APPLICATION FOR LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE**

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued, as mentioned herein, including the Offer Shares, any Shares which may be issued pursuant to the Capitalization Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of the options which are granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

Dealings in the Shares on the Stock Exchange are expected to commence on November 16, 2010. No part of the Company's share or loan capital is listed or dealt in on the Stock Exchange or any other stock exchange and no listing or permission to deal in the Shares is being or is proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the 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 our Company by the Stock Exchange.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising any rights attached to them. Our Company, the Controlling Shareholders, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accept no responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

### **OVER-ALLOTMENT AND STABILIZATION**

Details of the arrangement relating to the Over-allotment Option and stabilization are set out under the section headed "Structure of the Global Offering—Over-allocation and Stabilization" in this prospectus.

### **STOCK BORROWING ARRANGEMENT**

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilizing Manager may choose to borrow Shares from Master Alliance under a stock borrowing arrangement between the Stabilizing Manager and Master Alliance, or acquire Shares from other sources. Such stock borrowing arrangement will be in compliance with Rule 10.07(3) of the Listing Rules. Details of such stock borrowing arrangement are set out under the section headed "Structure of the Global Offering—Stock Borrowing Arrangement".

### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

The procedure for applying for the Public Offer Shares is set out in the section headed "How to Apply for Public Offer Shares" of this prospectus and on the related Application Forms.

### **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

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

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY**

Our principal register of members will be maintained by our principal share registrar and transfer office, Codan Trust Company (Cayman) Limited, in the Cayman Islands. All of the Shares allocated pursuant to the Global Offering will be registered on our register of members to be maintained in Hong Kong by our 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. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, 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 Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the 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 the Shares to be admitted into CCASS.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on November 16, 2010. Shares will be traded in board lots of 1,000 Shares each.

### **EXCHANGE RATE CONVERSION**

Solely for your convenience and information only, this prospectus contains translations of certain U.S. dollar amounts into RMB, HK dollar amounts into RMB and Euro amounts into RMB at specified rates. Unless otherwise stated or for transactions that have occurred at historical exchange rates, U.S. dollar amounts have been translated into RMB at the rate of US\$1.00 to RMB6.7909, HK dollar amounts have been translated into RMB at the rate of HK\$1.00 to RMB0.8724, and Euro amounts have been translated into RMB at the rate of Euro 1.00 to RMB8.2710, each of which was the PBOC Rate prevailing on June 30, 2010. Any discrepancy in any table between totals and sums of amounts listed therein are due to rounding. No representation is made that any amounts in RMB, U.S. dollars, HK dollars or Euro can be or could have been at the relevant dates converted at the above rates or any other rates or at all on the date or dates in question or any other date.

### **ROUNDING**

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

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Dong Li .....	Unit 1134, West Block No. 4 Neihuan Road Nanshan District Shenzhen, Guangdong Province China	Chinese
Zhao Huan .....	602, Building 5 No. 5 Wenhua Road Technology Park Nanshan District Shenzhen, Guangdong Province China	Chinese
Philip Armstrong Noznesky .....	4999 Long Island DR NW Atlanta, GA 30327 USA	American
<i>Independent Non-Executive Directors</i>		
An Wenbin .....	Apt. 702, Building 11 Tuanjiehu Dongli Chaoyang District Beijing China	Chinese
Liu Yangsheng .....	No. 1104, Building 28 Guang'anmen South Street Xuanwu District Beijing China	Chinese
Cao Yixiong Alan .....	Room 901, No. 4 1458 Nong Pujian Road Shanghai China	American

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED

#### *Sole Global Coordinator and Sole*

*Sponsor* ..... Citigroup Global Markets Asia Limited  
50th Floor, Citibank Tower  
3 Garden Road, Central  
Hong Kong

#### *Joint Bookrunners and*

*Joint Lead Managers* ..... Citigroup Global Markets Asia Limited  
50th Floor, Citibank Tower  
3 Garden Road, Central  
Hong Kong

BOCI Asia Limited  
26th Floor, Bank of China Tower  
1 Garden Road, Central  
Hong Kong

#### *Legal Advisers to the Company* .....

**as to Hong Kong and United States law:**  
DLA Piper Hong Kong  
17th Floor, Edinburgh Tower  
The Landmark  
15 Queen's Road, Central  
Hong Kong

**as to PRC law:**  
Zhong Lun Law Firm  
36-37th Floor, SK Tower  
6A Jianguomenwai Avenue  
Chaoyang District  
Beijing  
China

**As to Cayman Islands law:**  
Conyers Dill & Pearman  
Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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<i>Legal Advisers to the Underwriters .....</i>	<b>as to Hong Kong and United States law:</b> Skadden, Arps, Slate, Meagher & Flom 42nd Floor, Edinburgh Tower, The Landmark 15 Queen's Road, Central Hong Kong
	<b>as to PRC law:</b> Haiwen & Partners Unit 2605, Shanghai Kerry Center 1515 Nanjing West Road Shanghai China
<i>Auditors and Reporting Accountants .....</i>	Ernst & Young <i>Certified Public Accountants</i> 18th Floor, Two International Finance Centre 8 Finance Street, Central Hong Kong
<i>Property Valuer .....</i>	Jones Lang LaSalle Sallmanns Limited 17th Floor, Dorset House, Taikoo Place 979 King's Road, Quarry Bay Hong Kong
<i>Environmental Consultant .....</i>	MWH Environmental Engineering (Shanghai) Co., Ltd. Office 17 J2, Zhao Fong Universe Building 1800 Zhongshan Road Shanghai China
<i>Receiving Bankers .....</i>	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Hong Kong



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## CORPORATE INFORMATION

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<b>Registered Office</b> .....	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Headquarters in the PRC</b> .....	5th Floor, Xin Bao Hui Building No. 2061, Nanhai Avenue Nanshan District Shenzhen, Guangdong Province PRC
<b>Place of Business in Hong Kong</b> .....	12th Floor, AT Tower 180 Electric Road, North Point Hong Kong
<b>Website address</b> .....	<a href="http://www.leoch.com">www.leoch.com</a> (contents of this website do not form part in this prospectus)
<b>Company Secretary</b> .....	Liu Shuen Kong, <i>CPA</i>
<b>Authorized Representatives</b> .....	Mr. Dong Unit 1134, West Block No. 4 Neihuan Road Nanshan District Shenzhen, Guangdong Province China  Liu Shuen Kong Room 1402, 14th Floor Golden Industrial Building 16-26 Kwai Tak Street, Kwai Chung Hong Kong
<b>Members of the Audit Committee</b> .....	Cao Yixiong Alan ( <i>Chairman</i> ) An Wenbin Liu Yangsheng
<b>Members of the Nomination Committee</b> .	Mr. Dong ( <i>Chairman</i> ) An Wenbin Liu Yangsheng
<b>Members of the Remuneration Committee</b> .....	Mr. Dong ( <i>Chairman</i> ) An Wenbin Cao Yixiong Alan

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## CORPORATE INFORMATION

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<i>Principal Share Registrar</i> .....	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-111 Cayman Islands
<i>Hong Kong Share Registrar</i> .....	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East, Wanchai Hong Kong
<i>Compliance Adviser</i> .....	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road, Central Hong Kong
<i>Principal Bankers</i> .....	Bank of China No. 1, Renmin Road Jinhu County, Jiangsu Province China  China Construction Bank No. 78, Renmin Road Jinhu County, Jiangsu Province China

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## INDUSTRY OVERVIEW

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*This section contains certain information and statistics relating to the industry in which we operate that are derived from a report we commissioned from Asia Battery Association, an independent third party. Unless otherwise referred to, the information contained herein is extracted from the Asia Battery Association's report (the "Asia Battery Report"). The Asia Battery Report reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool. We believe that the sources of the information contained herein are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. 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. While we have exercised reasonable care in compiling and reproducing such information, it has not been independently verified by us, or any of our affiliates or advisers, nor by the Underwriters or any of their affiliates or advisers or any party involved in the Global Offering. The information may not be consistent with information available from other sources within or outside the PRC. We, our affiliates or advisers, the Underwriters or their affiliates or advisers, or any party involved in the Global Offering make no representation as to the accuracy, completeness or fairness of such information from Asia Battery Report and other sources and, accordingly, you should not unduly rely on such information.*

### THE GLOBAL LEAD-ACID BATTERY INDUSTRY

Based on their use, batteries are generally classified into two categories: (i) primary batteries, also known as non-rechargeable batteries, which are designed to be used once and discarded when they are exhausted; and (ii) secondary batteries, also known as rechargeable batteries, which are designed to be recharged and used multiple times. Primary batteries typically include alkaline-manganese batteries, carbon-zinc batteries, silver oxide batteries, and primary lithium batteries. Secondary batteries typically include lead-acid batteries, rechargeable lithium batteries, nickel-cadmium batteries, and nickel-metal hydride batteries.

Lead-acid batteries have undergone many progressive changes in technology and applications since their invention. Lead-acid batteries are now the most commonly used rechargeable batteries in the world, due to their cost efficiency, high battery capacity, product reliability and safety, and wide applications. They accounted for more than 70.0% of the global industrial rechargeable battery market in terms of sales revenue in 2009. Lead-acid batteries are also highly recyclable, with over 95.0% of all battery lead being recycled and reused in the production of new lead-acid batteries.

By application, lead-acid batteries can be generally classified into three main categories:

- Reserve power batteries, also known as stationary or standby batteries, are used to provide backup power for continuous power supply in case of primary power source failure or outage and to store electricity generated by an attached source. Reserve power batteries are primarily used in telecommunications systems, UPS, electric utilities systems, and other consumer and industrial applications, as well as in power storage systems for the recently fast-growing renewable energy industry;
- Motive power batteries, also known as traction batteries, mainly provide power for motion and are used in vehicles such as trucks, forklifts, mini vans, tourist coaches, and golf carts, as well as electric and hybrid automobiles, electric bicycles and motorcycles; and
- SLI batteries, also known as starting batteries, are used for the starting, lighting and ignition of vehicles such as cars, motorcycles, tractors and boats or other internal combustion engines.

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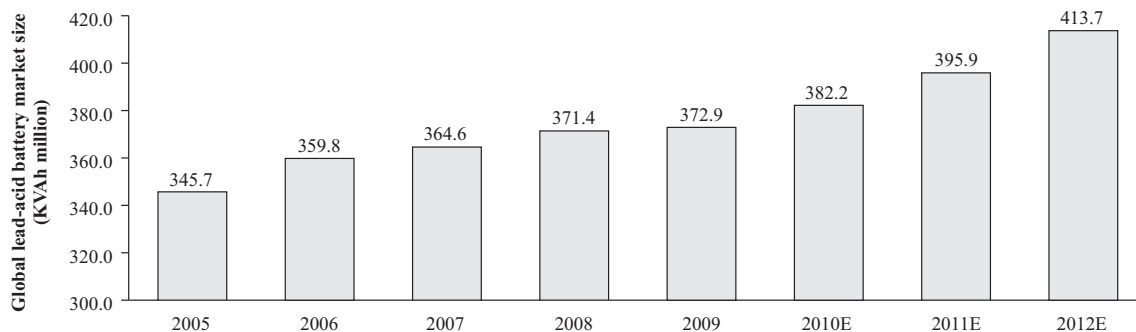
## INDUSTRY OVERVIEW

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By technology, lead-acid batteries can be generally classified into two main categories:

- Flooded or vented batteries, which require periodic watering and maintenance; and
- VRLA batteries, which are maintenance free. VRLA batteries can be further categorized into:
  - AGM VRLA batteries, which are the most common VRLA batteries. TPPL VRLA batteries and spiral pure lead batteries, which have higher energy density, are two advanced product types in this category;
  - Gel VRLA batteries, which have longer life and higher tolerance for extreme environmental conditions. Tubular gel VRLA battery is an advanced product type in this category.

The global lead-acid battery market has grown from 345.7 million KVAh in 2005 to 372.9 million KVAh in 2009. Driven by the rapid growth in Asia, especially in China, the global lead-acid battery market is expected to reach 413.7 million KVAh in 2012. The chart below sets forth the global market size in terms of KVAh for lead-acid batteries for the periods indicated.



Source: Asia Battery Association

Over the past decade, the global lead-acid battery industry has experienced significant consolidation and currently the main international players are EnerSys, Exide Technologies, Johnson Controls, Inc., and GS Yuasa Corporation (“GS Yuasa”).

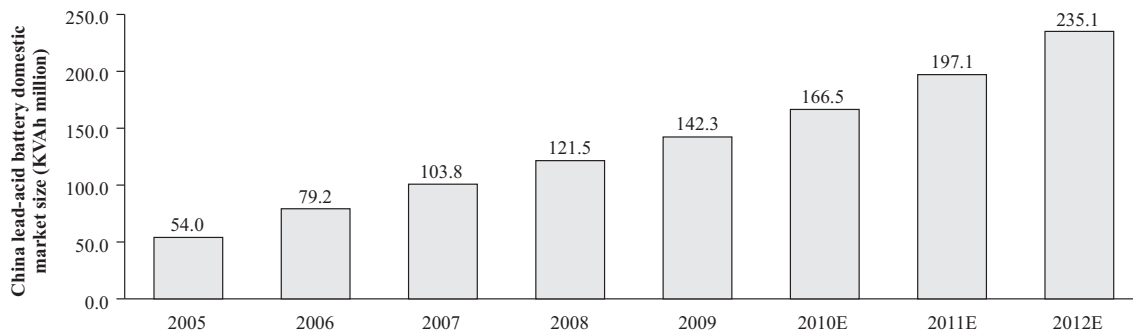
## INDUSTRY OVERVIEW

### THE LEAD-ACID BATTERY INDUSTRY IN CHINA

China is the largest lead-acid battery producing country in the world, accounting for 41.9% of total global production in 2009. China's total production in 2009 was 156.1 million KVAh, of which 142.3 million KVAh (91.2%) was consumed domestically and 13.8 million KVAh (8.8%) was exported abroad.

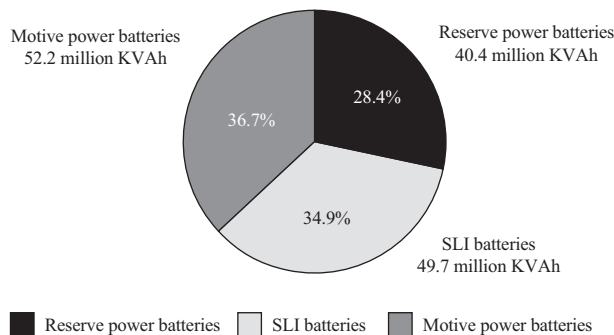
#### *Domestic Market Overview*

China's domestic lead-acid battery market has grown from 54.0 million KVAh in 2005 to 142.3 million KVAh in 2009, representing a CAGR of 27.4%, and is expected to reach 235.1 million KVAh in 2012, representing a CAGR of 18.2% between 2009 and 2012. The key driving factors include the fast growth of China's economy, the rapid expansion of China's telecommunications, electric utility, railway, and technology industries, the increased demand for automobiles, motorcycles, and bicycles, the high growth of electric and hybrid vehicles, as well as the fast emergence of the renewable energy industry. The chart below sets forth China's domestic demand in terms of KVAh for lead-acid batteries for the periods indicated.



Source: Asia Battery Association

In terms of 2009 sales volume, reserve power batteries, SLI batteries, and motive power batteries accounted for 28.4%, 34.9% and 36.7%, respectively, of China's demand for lead-acid batteries.



Source: Asia Battery Association

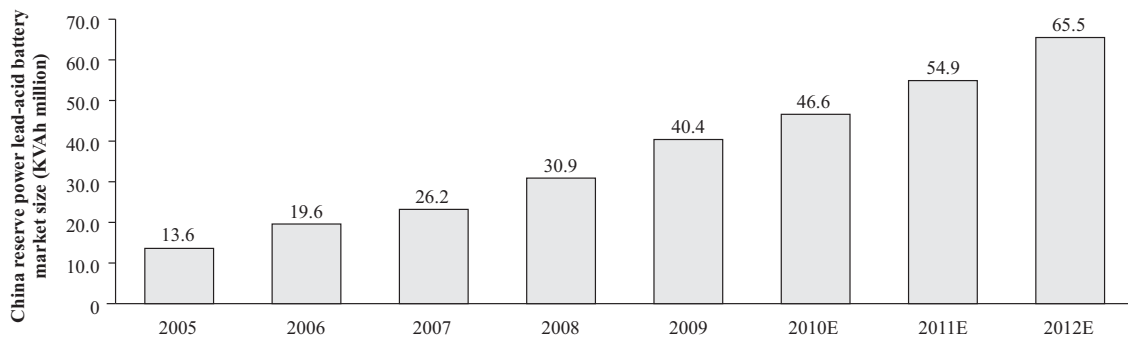
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## INDUSTRY OVERVIEW

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### *The Reserve Power Lead-Acid Battery Market*

Market demand for reserve power batteries in China grew at a CAGR of 31.3% from 13.6 million KVAh in 2005 to 40.4 million KVAh in 2009, primarily driven by the rapid development of telecommunications facilities, upgrading of electrical grids, computer usage penetration and railway construction. In 2009, 39.8% of the reserve power lead-acid batteries in China are used in telecommunications systems, 33.4% in UPS, 12.2% in electric utilities, 9.3% in railways, and 5.3% in other uses. It is estimated that China's reserve power battery market will grow at a CAGR of approximately 17.5% from 2009 to 2012, with the market size reaching 65.5 million KVAh by 2012. The chart below sets forth China's market demand in terms of KVAh for reserve power batteries for the periods indicated.



Source: Asia Battery Association

The key growth drivers for China's reserve power batteries market include:

- *Telecommunications.* China is one of the fastest growing telecommunications markets in the world. In addition, the Chinese telecommunications industry has begun its conversion to 3G in recent years. The total Chinese investment in 3G in 2009 was approximately RMB150.0 billion, and is expected to total approximately RMB400.0 billion from 2010 to 2012.
- *UPS.* UPS provide emergency power when the primary input power source fails. UPS are widely used on high-precision instruments, medical equipment, security monitoring, network systems, and automated production lines, and are used in industries such as finance, healthcare, utility, government, technology and transportation.
- *Electric utilities.* The electric utility industry is a key industry in China, and it is in a new phase of increased structural adjustment with accelerated upgrading and construction of urban power grids.
- *Railways.* Railway construction is a key focus area of China's infrastructure and even more so under the current economic stimulus plan. In accordance with China's Mid-to-long-term Railways Network Plans, China's national rail network will increase to 120,000 km by 2020. Lead-acid batteries are used mainly in railway signal systems and train illumination systems.
- *Renewable energy.* With the global attention on green energy, lead-acid battery manufacturers have a new market opportunity to meet the demand in renewable energy, such as in wind and solar power. Energy storage batteries are one of the key equipment items of wind and solar power energy storage systems. From 2005 to 2009, China's installed wind power capacity has increased at a CAGR of over 100.0% and installed solar power capacity has increased at a CAGR over 40.0%.

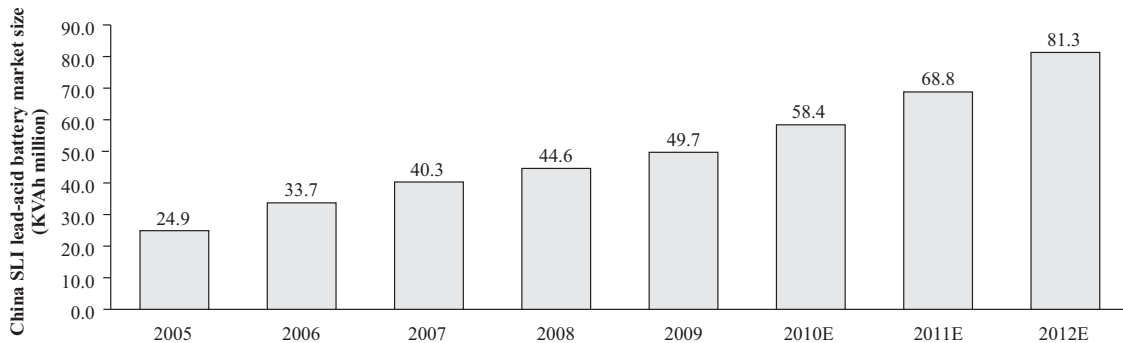
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## INDUSTRY OVERVIEW

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### *The SLI Lead-Acid Battery Market*

Market demand for SLI batteries in China grew at a CAGR of 18.9% from 24.9 million KVAh in 2005 to 49.7 million KVAh in 2009, primarily driven by the rapid development of the automobile and motorcycle industries. In 2009, over 80.0% of SLI lead-acid batteries are used in automobiles and approximately 15.0% are used in motorcycles. It is estimated that China's SLI battery market will keep growing at a CAGR of 17.8% from 2009 to 2012, with the market size reaching 81.3 million KVAh by 2012. The chart below sets forth China's market demand in terms of KVAh for SLI batteries for the periods indicated.



Source: Asia Battery Association

The key growth drivers for China's SLI batteries market include:

- *Automobiles.* In the past ten years, China's automobile industry saw rapid development and rising penetration rate of automobiles. China is currently the largest producer of automobiles and is the largest automobile market in the world, according to China Association of Automobile Manufacturers. The rapid growth of China's automobile market provides a huge market and strong growth potential for automotive SLI lead-acid batteries.
- *Motorcycles.* China is also the world's largest motorcycle producer and market, according to China Association of Automobile Manufacturers.

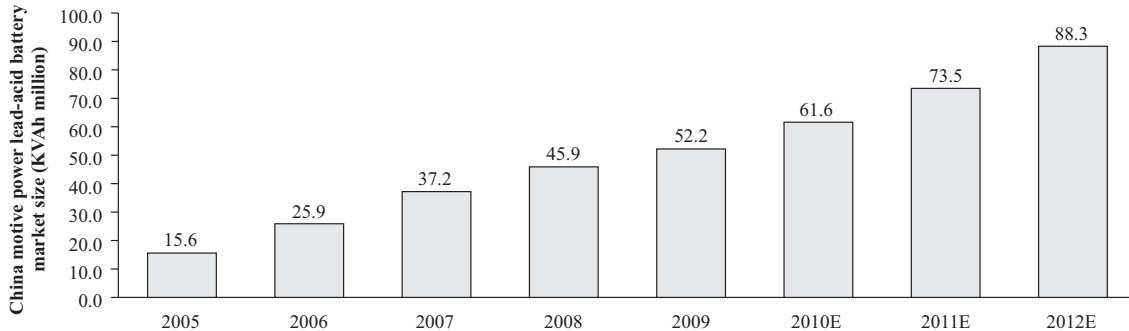
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## INDUSTRY OVERVIEW

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### *The Motive Power Lead-Acid Battery Market*

Market demand for motive power batteries in China grew at a CAGR of 35.2% from 15.6 million KVAh in 2005 to 52.2 million KVAh in 2009, primarily driven by the rapid development of light electric vehicles such as electric bicycles and motorcycles. In 2009, over 90% of the motive power lead-acid batteries in China were used in light electric vehicles. Further, the Chinese government's support of the development of electric and hybrid vehicles is also expected to foster more demand for motive power batteries. It is estimated that China's motive power battery market will keep growing at a CAGR of 19.2% from 2009 to 2012, with the market size reaching 88.3 million KVAh by 2012. The chart below sets forth China's market demand in terms of KVAh for motive power batteries for the periods indicated.



Source: Asia Battery Association

The key growth drivers for China's motive power batteries market include:

- *Light electric vehicles.* Sales of light electric vehicles including electric bicycles, electric motorcycles, electric scooters, electric wheelchairs and others are growing significantly. Among the light electric vehicles, electric bicycles in China have been the key market and sales of electric bicycles have increased rapidly in the past few years.
- *Electric and hybrid automobiles.* In recent years, the Chinese government has incorporated the development of renewable energy vehicles into national planning. Government authorities have also classified development of electric vehicles and related motive power batteries as key industries. In 2009, the PRC State Council announced the "Auto Industry Restructuring and Revitalization Plan", and stated the government's plan to promote the application of electric vehicles in the public transportation sector. Electric vehicles and motive power lead-acid batteries required to power them are expected to become a significant growth opportunity and establish significant market scale.



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## INDUSTRY OVERVIEW

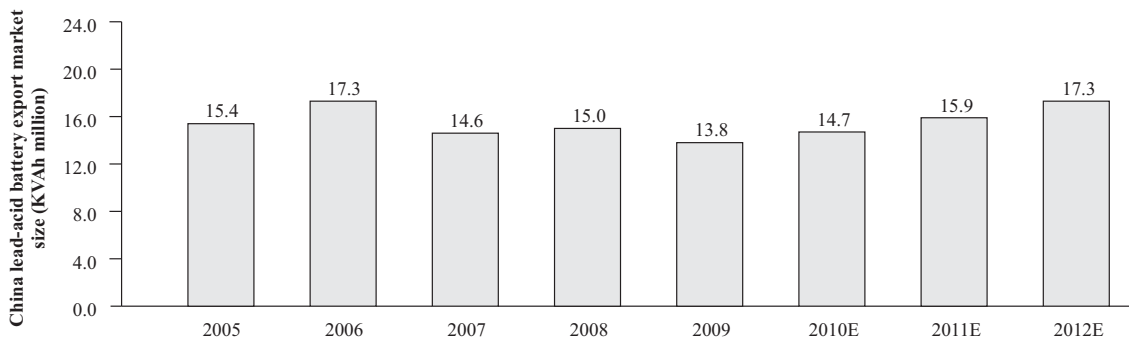
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### *Export Market Overview*

Chinese lead-acid battery manufacturers have achieved significant improvements in technology and product quality. Due in part to its lower production cost advantage, China is now the largest production base and exporter of lead-acid batteries in the world. It recorded total export output of 13.8 million KVAh in 2009 and such output is expected to grow at a CAGR of 7.8% to 17.3 million KVAh in 2012. The Chinese lead-acid battery export market has the following key features:

- Batteries exported are primarily reserve power batteries in terms of application, and VRLA batteries in terms of technology;
- In terms of exporting regions, VRLA batteries are mainly exported to Asia Pacific (42.2%) including batteries shipped to Hong Kong for re-export (19.7%), the Americas (28.4%) and Europe (24.3%) based on the number of units exported in 2009; and
- Exporters mainly sell battery products through OEMs and distributors.

The chart below sets forth the export output in terms of KVAh of Chinese lead-acid batteries for the periods indicated.



Source: Asia Battery Association

### *Major Players in China Lead-Acid Battery Industry*

The battery industry in China is highly fragmented and includes a large number of small and mid-sized manufacturers. Reserve power batteries accounted for 28.4% of China's domestic lead-acid batteries market in terms of sales volumes in 2009. With respect to reserve power lead-acid batteries, Leoch International Technology Limited was the third largest manufacturer with a 3.7% market share based on sales revenue in 2009. The first and second largest reserve power lead-acid battery manufacturers had 6.2% and 5.3% of the market share based on sales revenue in 2009. Leoch International Technology Limited is the largest exporter among the lead-acid batteries manufacturers in China, with a 5.8% market share based on export revenue in 2009, followed by the second and third largest exporters of lead-acid batteries having market shares of 5.7% and 4.8%, respectively.

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## INDUSTRY OVERVIEW

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### RAW MATERIALS FOR LEAD-ACID BATTERIES

For lead-acid batteries, lead is the most significant raw material in term of cost composition. The price of lead has experienced significant fluctuations during the Track Record Period. According to the Shanghai Metals Market, a non-ferrous metal market information service provider in China, lead price increased to over RMB25,000 per ton in October 2007 driven by global demand and liquidity in the financial markets. Lead price decreased to below RMB10,000 per ton in December 2008 due to the global financial crisis that led most raw materials prices to decrease. Since 2009, the lead price has been gradually increasing as a result of the global economy recovery. The chart below sets forth movements in the price of lead since January 2007.

#### *Lead Price*



*Source: Shanghai Metals Market*

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## INDUSTRY OVERVIEW

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### SOURCE OF INFORMATION

#### *Asia Battery Report*

We commissioned Asia Battery Association, an independent third party, to prepare the Asia Battery Report for use in whole or in part in this prospectus. Information extracted from the Asia Battery Report is contained in sections such as “Summary”, “Industry Overview” and “Business” of this prospectus. We paid Asia Battery Association a total of EUR10,000.0 in fees for the preparation and update of the Asia Battery Report.

Asia Battery Association, founded in 2002 and headquartered in Beijing, is an industry association and consultant organization for the battery industry with intelligence on technology, products and market trends. It offers various services such as industry research, market strategies, and corporate training. Asia Battery Association prepared the Asia Battery Report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Asia Battery Association visits companies operating in the industry to gather and synthesize information about market prices and other relevant information. The information contained in the Asia Battery Report has been obtained from sources which Asia Battery Association believes to be reliable; however, there can be no assurance as to the accuracy or completeness of the information presented.

When preparing and updating the Asia Battery Report, Asia Battery Association adopted a six-step methodology illustrated below to enhance the credibility and accuracy of the forecasts:

- *Market research.* Market specialists at Asia Battery Association collected related information and data from various sources, which provided an overview of the current market landscape and trends and also formed the basis for the forecast.
- *Market data analysis.* Measurements collected from the market research process were analyzed under their timeframes to provide additional insights on their historical and future impact on market size and market development.
- *Identifying drivers and factors.* The specialists then identified the factors that drove and will drive market growth as well as those that restrained and will restrain growth of the market.
- *Integration of opinions.* The specialists further discussed with and interviewed a variety of industry experts and consultants, as well as industry participants and customers. These experts’ opinions were then integrated with the existing data to provide a refined basis for the forecast data.
- *Forecast.* The specialists utilized the data and information obtained through the steps above to calculate and estimate the probable development of the market, including market size projections.
- *Quality control.* Before finalizing the report, the specialists verified the data and forecast by cross-checking against other available data or information and comparing with comparable statistics.

Forecasts and assumptions included in the Asia Battery Report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of government, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, lead prices, risks inherent in the battery manufacturing industry, financing risks, labor risks, uncertainty of renewals of customer contracts, equipment and supply risks, regulatory risks and environmental concerns.

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## REGULATORY OVERVIEW

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### OVERVIEW

This section sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our business and operations.

### PRC LAWS AND REGULATIONS RELATING TO THE INDUSTRY AND FOREIGN INVESTMENT

The manufacture of valve regulated lead acid batteries must comply with the Regulations on the Administration of Production Permits for Industrial Products (《工業產品生產許可證管理條例》), promulgated by the State Council of the PRC on July 9, 2005, and its Implementation Rules (《工業產品生產許可證管理條例實施辦法》), promulgated by the State Administration of Quality Supervision, Inspection and Quarantine on September 15, 2005. Products listed in the Industrial Products Catalogue are subject to the Production Permit System; a manufacturer cannot produce any product listed in the Industrial Products Catalogue unless a Production Permit has been obtained. As of the Latest Practicable Date, we have obtained Production Permits for the manufacture of all of our valve regulated lead acid batteries listed in the Industrial Products Catalogue.

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

<u>Company Name</u>	<u>Expiration Date of the National Production Permits for Industrial Product (《全國工業產品生產許可證》)</u>
Jiangsu Leoch .....	May 23, 2015
Zhaoqing Leoch .....	September 8, 2014
Anhui Leoch Battery .....	April 7, 2014
Shenzhen Leoch .....	August 14, 2010 <sup>(1)</sup>
Dongguan Leoch .....	August 28, 2010 <sup>(1)</sup>

*Note:*

- (1) The relevant authority has accepted our renewal application, and the facility has passed the site inspection for permit renewal. As the renewed permit will be issued after the expiration date of the current permit, our PRC legal advisers, Zhong Lun Law Firm, consulted with the State Administration of Quality Supervision, Inspection and Quarantine of the PRC, and received confirmation that as the renewal application was accepted before the expiration date, the legality of production at this production facility will not be affected. We have never failed to renew the permits and our PRC legal advisers confirm that they do not foresee any legal impediment in obtaining the renewed permits. We expect to receive the renewed permits before Listing.

Under the current Industrial Guidance Catalogue for Foreign Investment (《外商投資產業指導目錄(2007年修訂)》), jointly issued by the National Development and Reform Commission (“NDRC”) and the Ministry of Commerce on November 30, 2004 and revised on October 31, 2007, effective on December 1, 2007, foreign investment in the “high-volume, complete-sealed and maintenance-free lead acid battery” industry is categorized as an encouraged investment. According to the Provisions on Guiding the Foreign Investment Direction (《指導外商投資方向規定》), and the Comments Regarding Further Encouraging Foreign Investment (《關於當前進一步鼓勵外商投資的意見》), an encouraged foreign investment is entitled to receive certain benefits and incentives from the government, mainly in terms of taxation.

On July 16, 2004, the PRC State Council promulgated the Decision on the Reform of the Investment System (《國務院關於投資體制改革的決定》, “Investment Decision”). According to the Investment Decision, government approval is no longer required for projects not funded by the government. Instead, the authorization system and record system are applied where appropriate. Where state funds are not used in the projects, such projects only need to be recorded with the competent local

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authority except that governmental authorization must be secured for significant projects, projects in restricted investment areas and all foreign invested projects. Jiangsu Leoch, Anhui Leoch Battery and Zhaoqing Leoch, our foreign invested enterprises established after the promulgation of the Investment Decision, have each secured the authorization from the local competent authorities.

Shenzhen Leoch and Dongguan Leoch were set up in 1999 and 2002, respectively, before the promulgation of the Investment Decision in July 2004. Shenzhen Bao'an Development and Reform Bureau (深圳市寶安區發展和改革局) and the Economy and Technological Information Bureau of Dongguan Tangxia People's Government (東莞市塘廈鎮人民政府經濟和科技信息局) confirmed that Shenzhen Leoch and Dongguan Leoch, respectively, are not required to make any additional filings for their investment projects and no administrative penalty will be imposed, because these investment projects were established before the promulgation of the Investment Decision and have continuously operated since establishment. Our PRC legal advisers, Zhong Lun Law Firm, advised that the above authorities are competent authorities to give such confirmations and the lack of record-filing for these investment projects has no material adverse impact on the operation of the Company.

### REGULATION OF FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION

#### *Foreign Currency Exchange*

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (《外匯管理條例》), as amended, and the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》). Under these regulations, Renminbi are freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for most capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside China, unless the prior approval of the State Administration of Foreign Exchange ("SAFE") or its local counterparts is obtained. In addition, any loans to foreign invested enterprises cannot, in the aggregate, exceed the difference between their respective approved total investment amount and their respective approved registered capital amount. Furthermore, any foreign loan must be registered with SAFE or its local counterparts for the loan to be effective. Any increase in the amount of the total investment and registered capital must be approved by the PRC Ministry of Commerce ("MOFCOM") or its local counterparts.

The dividends paid by a subsidiary to its shareholder are deemed shareholder income and are taxable in China. Pursuant to the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange, foreign-invested enterprises in China may purchase or remit foreign exchange, subject to a cap approved by SAFE, for settlement of current account transactions without the approval of SAFE. Foreign exchange transactions under the capital account are still subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities.

#### *Dividend Distribution*

The principal regulations governing the distribution of dividends by foreign holding companies include the PRC Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), as amended, and the Administrative Rules thereunder.

Under these regulations, foreign investment enterprises in China may pay dividends only out of their retained profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective retained profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

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### *Circular 75*

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (《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有關問題的通》), issued on October 21, 2005 and effective on November 1, 2005, (i) a person residing in the PRC (a "PRC Resident") must register with the local branch of SAFE before he or she may establish or control an SPV for the purpose of overseas equity financing (including convertible debt financing) with the assets of or equity interests in a domestic enterprise which is owned by him or her; (ii) when a PRC Resident contributes the assets of or its equity interests in a domestic enterprise to an overseas SPV, or engages in overseas financing after contributing assets or equity interests to an overseas SPV, such PRC Resident must register his or her interest in the overseas SPV or any changes to such interest in the overseas SPV with the local branch of SAFE; and (iii) when the overseas SPV undergoes a material event outside of China, such as change in share capital or merger and acquisition, the PRC Resident must, within 30 days after the occurrence of such event, register such change with the local branch of SAFE. Our controlling shareholder, Mr. Dong, who is a PRC resident, applied for a post-facto foreign exchange registration of overseas investment at the local SAFE branch in Shenzhen and received approval for the registration on September 21, 2010.

Under Circular 75, failure to comply with the registration procedures may result in penalties, including imposition of restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the overseas SPV.

### **NEW M&A REGULATIONS AND OVERSEAS LISTINGS**

On August 8, 2006, six PRC regulatory agencies, namely MOFCOM, the State Assets Supervision and Administration Commission, the State Administration for Taxation ("SAT"), the State Administration for Industry and Commerce, the China Securities Regulatory Commission ("CSRC"), and the State Administration of Foreign Exchange, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》), which became effective on September 8, 2006. The New M&A Rule requires, among other things, that, if any offshore company established or controlled by any PRC domestic company or citizen intends to acquire equity interests or assets of any domestic company affiliated with such PRC company or citizen, then the acquisition must be submitted to MOFCOM, rather than local regulators, for approval. In addition, the New M&A Rule requires that any listing on an overseas stock exchange of an offshore special purpose vehicle, or the SPV, directly or indirectly controlled by any PRC domestic company or citizen is subject to the CSRC's approval.

Given the facts that, (i) Jiangsu Leoch, a foreign invested enterprise, was duly established on March 11, 2003, (ii) Zhaoqing Leoch, a foreign invested enterprise, was duly established on May 9, 2005, (iii) Anhui Leoch, a foreign invested enterprise, was duly established on July 26, 2006, our PRC legal advisers, Zhong Lun Law Firm, has advised us that MOFCOM approval for our restructuring is not required. However, we cannot rule out the possibility that the MOFCOM may have different opinions on the interpretation of the New M&A Rules and may determine that its approval is required with respect to our restructuring.

### **TAX LAWS**

On January 1, 2008, the Foreign-funded Enterprise and Foreign Enterprise Income Tax Law of the PRC (《中華人民共和國外商投資企業和外國企業所得稅法》) was abolished, and the New Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, "EIT Law"), promulgated on March 16, 2007, as well as the Implementing Regulations for the PRC Enterprise Income Tax Law (《企業所得稅法實施條例》, "Implementation Rules"), promulgated on December 6, 2007, became effective. Pursuant to the EIT Law of the PRC, the income tax rate for both domestic-funded enterprises and foreign-funded enterprises is 25%.

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Pursuant to the Notice on the Implementation of the Enterprise Income Tax Transition Preferential Policy (《國務院關於實施企業所得稅過渡優惠政策的通知》), enacted by the State Council of the PRC on December 26, 2007, (i) enterprises that enjoy the low tax rate of 15% shall be subject to a transitional tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012, and (ii) enterprises that had enjoyed the preferential policy of full exemption for the first two years and half EIT concession for the next three years since the first profit-making year, shall continue to enjoy the former policy until the preferential period expired; enterprises that had not enjoyed the aforesaid preferential policy due to their failure to make profit shall enjoy the aforesaid preferential policy from 2008. On October 6, 2008, Shenzhen National Tax Bureau released the Notice on the Implementation of a levy-first-refund-immediately Scheme for Shenzhen locally-promulgated Preferential Policy on Enterprise Income Tax (《關於深圳市自行制定企業所得稅優惠政策實行“即徵即退”工作方案的通知》, “Notice 145”). Notice 145 acknowledges that the enterprises in Bao’an District and Longgang District in Shenzhen enjoy the enterprise income tax rate of 15% according to the Shenzhen People’s Government Notice on the Taxation Policy of Bao’an District and Longgang District promulgated in 1993 (《深圳市人民政府關於寶安龍崗兩個市轄區稅收政策問題的通知》, 深府[1993]1號). According to Notice 145, enterprises which enjoyed the low tax rate of 15% before 2008 shall be subject to the transitional enterprise income tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

The EIT Law also provides that enterprises that are established in accordance with the law of a foreign country (or region) and whose “de facto management bodies” are located in China are considered “tax resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the Implementation Rules, “de facto management bodies” is defined as the bodies that have, in substance, overall management and control over such aspects as the production and business, personnel, accounts and properties of an enterprise. The EIT Law and the Implementation Rules have only recently taken effect. Currently, there are no detailed rules or precedents governing the procedures and specific criteria for determining “de facto management bodies”.

Under the EIT Law and the Implementation Rules, China-sourced income of foreign enterprises that are “non PRC resident enterprises” that do not have an establishment or place of business in China or, despite the existence of such establishment or place in China, the relevant income is not actually connected with such establishment or place in China, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10% withholding tax unless the jurisdiction of such foreign enterprises has a tax treaty with China that provides a different withholding arrangement. Under an arrangement between China and the Hong Kong Special Administrative Region, which became effective on January 1, 2007, such dividend withholding tax rate is reduced to 5% for dividends paid by a PRC company to a Hong Kong resident enterprise if such Hong Kong entity directly owns at least 25% of the equity interest of the PRC company.

On February 20, 2009, the SAT promulgated the Notice on Relevant Issues concerning Implementation of Dividend Clauses under Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》, “2009 Notice”). Pursuant to the 2009 Notice, the transaction or the arrangement, with the major purpose of obtaining any preferential tax treatment, shall not justify the application of preferential treatment stipulated in dividend clauses under tax treaties. If the tax payer improperly enjoys the preferential treatment under tax treaties as a result of the abovementioned transaction or arrangement, the tax authority in charge shall be entitled to made adjustment. As the 2009 Notice is newly issued, it remains unclear how the PRC tax authorities will implement it in practice.

On January 9, 2009, the SAT promulgated the Interim Measures for the Administration of Withholding at Source of Enterprise Income Tax for Non-resident Enterprises, or the Interim Measures (《非居民企業所得稅源泉扣繳管理暫行辦法》, “Interim Measures”), which took effect retroactively on January 1, 2009. In accordance with the Interim Measures, if a non-resident enterprise receives the income originating from China, or the taxable income, including equity investment income such as dividend and profit, interest, rental and royalty income, income from property transfer and other incomes,

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the EIT payable on the taxable income shall be withheld at the source by the enterprise or the individual who is directly obligated to make relevant payment to the non-resident enterprise under relevant laws or contracts.

Under the EIT Law and the Implementing Regulations, certain qualifying high-technology enterprises may still benefit from a preferential tax rate of 15% if they are satisfied with certain conditions, including they own their core intellectual properties and their products or services fall into the scope of certain State-supported high-tech industries specified by the government, etc., and obtain the certificate of “high-technology enterprise” in accordance with the relevant regulations, including the Administrative Measures for Determination of High-technology Enterprises promulgated by the Ministry of Science and Technology, Ministry of Finance and SAT on April 14, 2008.

On December 10, 2009, the State Administration of Taxation issued the Notice on Strengthening Enterprise Income Taxation on Non-resident Enterprises with respect to Gains from Equity Transfer (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》, “Notice 698”), which demonstrates its jurisdiction over the indirect equity transfer of PRC resident enterprises via disposing the equity of a SPV offshore China. Pursuant to the Notice 698, the offshore transferor which interposes a SPV as an intermediate holding company for its investment in PRC subsidiary will be required to report the indirect transfer of the equity interest of SPV to the Chinese local-level tax bureau in charge of the PRC subsidiary if the effective tax rate of the jurisdiction over the transferee is less than 12.5%, or that jurisdiction does not tax foreign income of the transferee. The Chinese tax authorities will examine the true nature of the transfer through such reporting documents and determine whether such transfer constitutes evasion of Chinese taxation through abusive arrangement without reasonable commercial purpose. Based on the “substance over form” principle, the Chinese tax authorities may re-characterize the transfer and disregard the existence of the SPV. Once a SPV is disregarded, the transfer should be effectively treated as non-resident enterprises transferring the PRC subsidiary’s equity, and thus the transfer gain is of China source which should be subject to China withholding tax.

Violation of the above mentioned law, rules or notice may result in the imposition of fines, penalties, suspension of operations, order to cease operations, or, even criminal liability for severe cases.

### ENVIRONMENTAL LAWS

Manufacturing businesses are subject to PRC environmental laws and regulations, which include the PRC Environmental Protection Law (《中華人民共和國環境保護法》), PRC Law on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), PRC Law on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), PRC Law on the Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》), PRC Law on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Standards for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB18597-2001), PRC Law on the Environmental Impact Assessment (《中華人民共和國環境影響評價法》), the Administrative Regulations on Environmental Protection for Construction Projects (《建設項目環境保護管理條例》) and the Rules on the Administration of Acceptance Inspection of Construction Project Environmental Protection (《建設項目竣工環境保護驗收管理辦法》) (collectively as the “Environmental Laws”). The Environmental Laws govern a broad range of environmental matters, including air pollution, noise emissions, sewage, and waste discharge.

According to the Environmental Laws, companies are also required to carry out an environment impact assessment (“EIA”) before commencing construction of production facilities and install pollution treatment facilities that meet the relevant environmental standards to treat pollutants before discharge, and all business operations that may cause environmental pollution and other public hazards are required to incorporate environmental protection measures into their plans and establish a reliable system for environmental protection. These operations must adopt effective measures to prevent and control pollution levels and harm caused to the environment in the form of waste gas, liquid and solid waste, dust,



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malodorous gas, radioactive substances, noise, vibration, and electromagnetic radiation generated in the course of production, construction, or other activities. Upon completion of the construction, companies should request the relevant environmental protection authority to assess the air pollutant density and inspect the site and the equipment installed for the project. Companies can make application for the inspection and acceptance of environmental protection for construction projects and obtain the approvals from the relevant environmental protection department when the results meet the requirements of the environmental protection department.

As of the Latest Practicable Date, an EIA and environmental completion acceptance examination of our production lines have been carried out and approved by the environmental protection authorities according to the Environmental Law. We expanded the production capacity of Dongguan Leoch and added battery shelf manufacturing lines to Zhaoqing Leoch in 2006 and 2010, respectively, but did not conduct additional EIA in a timely manner. Dongguan Environmental Protection Bureau Tangxia Branch (東莞市環境保護局塘廈分局, “Dongguan EPB”) and Zhaoqing High and New-tech Industry Development Zone Environmental Protection Bureau (肇慶高新技術產業開發區環保局, “Zhaoqing EPB”) has confirmed that Dongguan Leoch and Zhaoqing Leoch can conduct post-facto EIA and an environmental completion acceptance examination, and we have already received EIA approvals for Dongguan Leoch and Zhaoqing Leoch on September 8, 2010 and August 20, 2010, respectively. Our PRC legal advisers, Zhong Lun Law Firm, advised us that (i) Dongguan EPB and Zhaoqing EPB are competent to give such confirmations; (ii) in its opinion the risk of those confirmations being challenged by higher authorities is low; and (iii) after correcting such inadequacies, we will not be subject to any negative legal consequences.

According to the Environmental Laws, all entities, directly or indirectly, discharge pollutants shall register at the local environmental protection department before commencing operation. After reviewing the registration, the local environmental protection department will issue a Pollutants Discharge Permit to the entity, which sets out the discharge standards for permitted waste water, exhaust air and solid waste. Each entity shall also submit a Pollutants Discharge Registration Form to the local environmental protection department every year within the operation period. The category and the quantity of the raw materials applied for, the possible pollutants caused, the treatment facilities and process of site installation, as well as the efficiency and economic analysis of the projects shall be set out in the Pollutants Discharge Registration Form.

As of the Latest Practicable Date, Jiangsu Leoch, Zhaoqing Leoch and Anhui Leoch Battery have obtained the relevant Pollutant Discharge Permits. The Pollutant Discharge Permits are renewable upon their respective expiration dates. Our PRC legal advisers, Zhong Lun Law Firm, confirm that, to their best knowledge after due inquiry and based on our confirmations, were not aware of any impediments for us to obtain or renew the permits as of the Latest Practicable Date.

The table below provides the terms of validity of the Pollutant Discharge Permits of our PRC subsidiaries:

Company Name	Issuance date	Expiration Date
Jiangsu Leoch .....	January 1, 2010	December 31, 2011
Zhaoqing Leoch .....	April 8, 2009	April 7, 2012
Anhui Leoch Battery.....	July 1, 2009 and May 10, 2010 for two different pollutant discharge	June 30, 2012 and May 9, 2013, respectively
Shenzhen Leoch .....	N/A	N/A
Dongguan Leoch.....	N/A	N/A

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According to the Environmental Laws, no solid wastes are allowed to be discharged to water. The PRC government implements the declaration and registration system for the production and disposal of the industrial solid wastes. Industrial solid waste producer shall provide the local environmental protection authority with the relevant information regarding the arising, whereabouts, storage and disposal of the solid wastes. The open storage for slag, chemical slag, coal ash, waste minerals, mineral waste residues and other industrial solid wastes requires special facilities. Failure to comply with the requirements of declaration and registration of the industrial solid wastes or hazardous wastes will be ordered to take remedial measures in due course and fined by the environmental protection authority.

Enterprises generating hazardous wastes must register with the local environmental protection authority and must properly dispose the wastes in compliance with the relevant laws and regulations imposed by the PRC government. Any entity disposing its hazardous materials by way of burying or without complying with the relevant regulations should pay relevant hazardous waste disposal charges. All hazardous wastes, including certain hazardous wastes produced at our production facilities, listed on the “National Catalogue of Hazardous Wastes” should be collected and disposed by entities approved for handling the disposal of hazardous wastes. Any entity without the permit of hazardous waste disposal is prohibited from engaging in collection, storage, transportation, utilization and disposal of hazardous wastes. Hazardous wastes should not be placed and handled together with non-hazardous waste.

Under the Standards for Pollution Control on Hazardous Waste Storage (GB18597-2001), containers with abandoned batteries must have labels indicating their category, or specialized facilities must be constructed in accordance with the Standards for Pollution Control on Hazardous Waste Storage (GB18597-2001) for the storage of abandoned batteries, in which the abandoned batteries must be placed inside plastic containers. The plastic containers must be corrosion and pressure-resistant and properly sealed. The disposal of used batteries into landfill must also fulfill the stringent requirements on landfill.

Violation of the abovementioned laws, rules or regulations may result in the imposition of fines, penalties, suspension of operations, order to cease operations, or even criminal liability for severe cases.

### *Environmental Quality Standards*

The PRC has implemented various environmental quality standards with respect to air quality, water condition and soil condition. Local environmental protection authorities will follow these national standards when reviewing and approving EIAs of and when determining the permissible pollutant discharge amounts by companies in such jurisdiction. Companies within the jurisdiction are not required to monitor or evaluate emissions to ensure compliance with the environmental quality standards, while they must comply with the approved EIA in its construction of pollution prevention and processing facilities, and the discharge pollutants in its operation must meet the approved discharge amounts. Local environmental protection authorities monitor the pollutant discharge from time to time to ensure compliance with the approved EIA levels. The following environmental quality standards and pollutant discharge standards are applicable to the EIA of our production facilities and our operations:

#### **Air Quality in a Specific Environment**

The daily average concentration of lead in the air must conform to the maximum concentration limit of 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). In addition, the average annual and quarterly concentration of lead in the air 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: $\mu\text{g}/\text{m}^3$ )	Standards
Daily average .....	0.70	TJ36-79
Quarterly average .....	1.50	GB3095-1996
Annual average .....	1.00	GB3095-1996

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### 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 refer to an indicative lead value of  $\leq 0.05\text{mg/L}$ .

### Underground Water Condition

The quality of underground water has to conform to the Underground Water Quality Standards (《地下水質量標準》) (GB/T14848-93) as set forth 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) .....	$\leq 0.005$	$\leq 0.01$	$\leq 0.05$	$\leq 0.1$	$> 0.1$

### Soil Condition

Soil condition has to conform to Soil Quality Standards (《土壤環境質量標準》) (GB15168-1995). Specific parameters are set forth below:

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) .....	$\leq 35$	$\leq 250$	$\leq 300$	$\leq 350$	$\leq 500$

## LABOR AND SOCIAL INSURANCE

The PRC has many labor and safety laws, including the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》), the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Unemployment Insurance Law (《失業保險條例》), the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time for operations in the PRC.

According to the PRC Labor Law (《中華人民共和國勞動法》) and the PRC Labor Contract Law (《中華人民共和國勞動合同法》), labor contracts in written form shall be executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. The company must establish a system for labor safety and sanitation, strictly abide by state standards, and provide relevant education to its employees. Employers are also required to provide safe and sanitary working conditions meeting State rules and standards, and carry out regular health examinations of employees engaged in hazardous occupations.

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As required under the Regulation of Insurance for Work-Related Injury (《工傷保險條例》), the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), and the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), companies are obliged to provide employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance.

### WORK SAFETY AND OCCUPATIONAL DISEASE PREVENTION AND TREATMENT

Companies are subject to the PRC Production Safety Law (《中華人民共和國安全生產法》, “Production Safety Law”), which requires that safe production conditions as required by the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards in respect of our manufacturing business are maintained. It further provides that any entity that is not sufficiently equipped to ensure safe production may not engage in production and business operation activities, and that companies must provide production safety education and training programs to employees. The design, manufacture, installation, use, checking, and maintenance of the safety equipment are required to conform to applicable national or industrial standards. In addition, labor protection equipment must meet national or industrial standards, and companies must supervise and educate their employees to wear or use such equipment according to the prescribed rules. Violation of the PRC Production Safety Law may result in the imposition of fines, penalties, suspension of operations, order to cease operations, or even criminal liability for severe cases.

Pursuant to the Regulations on Production Safety Licenses (《安全生產許可證條例》) and the 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 January 13, 2004 and May 17, 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 are 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 are responsible for the issuance and administration of production safety licenses for other hazardous chemical production enterprises. Production Safety Bureau of Jiangsu Province released the Notice on the Production Safety Licensing of Hazardous Chemical Production Enterprises (《關於危險化學品生產企業安全生產許可有關工作的通知》, “Jiangsu Safety Notice”) on December 30, 2008. Pursuant to Jiangsu Safety Notice, battery manufacturing companies are not categorized as hazardous chemical production enterprises. There is no specific provincial regulation in Guangdong Province requiring a company manufacturing lead-acid batteries to obtain a production safety license.

Anhui Leoch Battery has obtained a production safety license valid from November 19, 2009 to November 18, 2012 from the Anhui Administration of Production Safety. Jiangsu Leoch has consulted with the Production Safety Bureau of Jiangsu Province (江蘇省安全生產監督管理局) and Zhaoqing Leoch, Shenzhen Leoch and Dongguan Leoch have consulted with the Bureau of Production Safety of Guangdong Province (廣東省安全生產監督管理局), and received confirmation that they are not required to obtain production safety licenses. Our PRC legal advisers, Zhong Lun Law Firm, have advised us that the above authorities are competent local administration to give the confirmations and in its opinion the risk of those confirmations being challenged by higher authorities is low.

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## REGULATORY OVERVIEW

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The dangerous nature of the components of lead-acid batteries could pose risks to battery manufacturers if they do not handle the lead materials in the appropriate ways. Laws and regulations also exist to specifically regulate workplace conditions where such dangerous chemicals are used to ensure that workers involved in handling or transporting them are adequately protected. The Rules on Safety Use of Chemicals at Workstations (《工作場所安全使用化學品的規定》) and the Regulations on Safety Control of Dangerous Chemicals (《危險化學品安全管理條例》) stipulate specific requirements in the purchase, storage, transportation and usage of dangerous goods and disposal of hazardous chemical wastes. According to the Regulations on Safety Control of Dangerous Goods (《危險化學品安全管理條例》), the storage of and dealing with dangerous goods should be as follows: (i) dangerous chemicals should be stored in a purpose-built warehouse, purpose-built premise or storage room and managed by special-trained staff; (ii) the purpose-built warehouse or storage room should meet the prescribed standard for ventilation, fire-proof and fire-suppression, explosion-proof, pressure discharge, lightning-proof, thermoregulation, static electricity-proof and protection coffer system; and (iii) chemicals should be stored separately according to their property and type. Different types of chemicals should be stored in a safety distance away from each other. Pursuant to the Measures for the Administration of Registration of Hazardous Chemicals (《危險化學品登記管理辦法》) that came into effect on November 15, 2002, any entity engaged in the production or storage of hazardous chemicals, or usage of virulent chemicals or other hazardous chemicals in a quantity that could be a potential source of serious accidents must 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 governments of provinces, autonomous regions and municipalities have set up chemical registration offices to handle the local activities and administrative matters related to hazardous chemical registration.

Each of our PRC subsidiaries has registered its use of hazardous chemicals for production in the PRC with the relevant authorities.

Employers are also subject to the Law of Prevention and Treatment of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》). Employers must ensure that the protective facilities against occupational diseases be designed, constructed, and put into production and use at the same time as that of the main part of the project. For employees engaging in operations that may expose them to risk of occupational diseases, employers must arrange for occupational health examinations before, during and at the end of the employment, and pay any related expenses. Employees who are found to have health injuries relating to their employment must be transferred from their position and provided with a different position of employment. Employers may not cancel or terminate the labor contracts signed with employees that have not gone through the occupational health examination before leaving their posts. Violation of the Law of Prevention and Treatment of Occupational Diseases may result in the imposition of fines, penalties, or even criminal liability for severe cases.

## REGULATORY OVERVIEW

According to the Diagnostic Criteria of Occupational Chronic Lead Poisoning (《職業性慢性鉛中毒診斷標準》) (GBZ37-2002) issued by the Hygiene Department of the PRC in April 2002, a person who possesses the following symptoms is considered to have lead poisoning:

	<b>lead poisoning of low degree</b>	<b>lead poisoning of medium degree</b>	<b>lead poisoning of high degree</b>
Symptoms . . . . .	<p>(a) 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; and</p> <p>(b) either one of the following symptoms:-</p> <p>(i) δ-aminolevulin acid-ALA is equal to or more than 8,000 µg/L;</p> <p>(ii) free erythrocyte protoporphyrin (EP) is equal to or more than 2,000 µg/L;</p> <p>(iii) zinc protoporphyrin (ZPP) is equal to or more than 13.0 µg/gHb;</p> <p>(iv) abdominal pain, abdominal swelling or constipation</p>	<p>(a) symptoms of lead poisoning of low degree; and</p> <p>(b) either one of the following symptoms:-</p> <p>(i) acute abdominal pain;</p> <p>(ii) anaemia;</p> <p>(iii) mild toxic peripheral neuropathy</p>	<p>(a) either one of the following symptoms:-</p> <p>(i) lead paralysis;</p> <p>(ii) toxic encephalopathy</p>

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## REGULATORY OVERVIEW

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### INTELLECTUAL PROPERTY

#### *PRC Trademark Law*

The PRC Trademark Law (《中華人民共和國商標法》) was promulgated on August 23, 1982, and subsequently amended on February 22, 1993 and October 27, 2001. Under this law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

- using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark;
- selling commodities that infringe upon the right to exclusive use of a registered trademark;
- forging, manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization;
- changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; or
- causing other damage to the right to exclusive use of a registered trademark of another person.

In the event of infringement, the infringer would be fined, ordered to stop the infringement acts immediately and required to indemnify the infringed party.

#### *PRC Patent Law*

According to the PRC Patent Law (《中華人民共和國專利法》), last amended on December 27, 2008, protective patents fall into three categories: invention patents, utility model patents and design patents. Invention patents are intended to protect new technology or measures for a product, method or its improvement and the term of protection for invention patents is 20 years from the date of application. Utility model patents are intended to protect new technology or measures to increase the utility of a product's shape, structure or a combination, and the term of protection for invention patents is 10 years from the date of application. Design patents are intended to protect new designs of a product's shape, graphic or color with aesthetic and industrial application value and the term of protection for invention patents is 10 years from the date of application.

During the protection period, unless otherwise permitted by law, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by the patent of any category or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent without the consent of the patent holder.

As of the Latest Practicable Date, we held 38 patents in China, including six invention patents, 28 utility model patents, four packaging design patents. We also had 30 patent applications pending in China, consisting of 27 invention patents and three utility model patents. We mainly rely on patent laws to establish, protect and maintain our propriety intellectual property, technology and other confidential information.

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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Our Company was incorporated in the Cayman Islands on April 27, 2010 and, as a part of the Reorganization, became the ultimate holding company of our subsidiaries. Through certain holding companies and wholly foreign owned enterprises, we own 100% of our operating subsidiaries. As of the Latest Practicable Date, we were 100% owned by Mr. Dong, our founder, Chairman and chief executive officer, through his wholly-owned company, Master Alliance.

### OUR BUSINESS MILESTONES

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

- In 1999, our founder, Mr. Dong, established Shenzhen Leoch and we commenced our operation.
- In 2000, we established our U.S. office, signifying our efforts to develop our presence in the international market.
- In 2001, we began to supply our products to the telecommunications industry.
- In 2003, we established our Jiangsu research and development center.
- In 2005, we began to increasingly focus on sales into China's domestic market.
- In 2008, we established our Zhaoqing research and development center.
- In 2008, we began to supply to the renewable energy industry.
- In 2010, we established Leoch Europe in the U.K.
- In 2010, we began the trial production of TPPL VRLA batteries.

### OUR OPERATING HISTORY

The history of our operations began with the establishment of Shenzhen Leoch on April 26, 1999. Commencing its operations at the time of establishment, Shenzhen Leoch was initially engaged in the business of manufacturing and selling all types of lead-acid batteries, and was 50% owned by Mr. Dong, 30% owned by Mr. Xue Laiwu and 20% owned by Mr. Fu Yanshu. Both Mr. Xue Laiwu and Mr. Fu Yanshu are Independent Third Parties. Since then, Shenzhen Leoch experienced a number of changes in its shareholding structure. Mr. Fu Yanshu and Mr. Xue Laiwu decided to withdraw from their ownership in Shenzhen Leoch and transferred all their respective interests in Shenzhen Leoch to Mr. Dong and Mr. Qian Guanghong, our vice president of production and a member of our senior management, in July 2002 and December 2003 for considerations of RMB0.6 million and RMB1.8 million, respectively, determined by reference to the registered capitals of Shenzhen Leoch on such dates. Accordingly, Shenzhen Leoch was 70% held by Mr. Dong and 30% owned by Mr. Qian Guanghong at the end of 2003. The 30% shareholding interest in Shenzhen Leoch was held by Mr. Qian Guanghong for and on behalf of Mr. Dong.

On August 18, 2004, Leoch Power Supply was established in Hong Kong, and at its establishment, 90% of its issued share capital was held by Mr. Dong and the other 10% was held by Ms. Hong Yu. In November 2004, Mr. Dong and Mr. Qian Guanghong transferred all their respective interests in Shenzhen Leoch to Leoch Power Supply. On January 2006, Leoch Power Supply transferred 90% and 10% interests in Shenzhen Leoch to Mr. Dong and Ms. Hong Yu respectively, and Mr. Dong's and Ms. Hong Yu's shareholdings in Shenzhen Leoch were further changed to 97% and 3% respectively in August 2007. In May 2008, Mr. Dong and Ms. Hong Yu transferred their respective interests in Shenzhen Leoch to Jiangsu Leoch.



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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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We have expanded our business operations to other parts of the PRC by establishing other subsidiaries since 2002, four of which have production facilities:

- On November 27, 2002, Dongguan Leoch was established in Dongguan, Guangdong province. It was then 90% owned by Mr. Dong and 10% owned by Ms. Peng Hui. On April 23, 2008, Mr. Dong and Ms. Peng Hui transferred their respective interests in Dongguan Leoch to Jiangsu Leoch. Our Dongguan production facility commenced operation in the same year.
- On March 11, 2003, Jiangsu Leoch was established in Jinhua, Jiangsu province. It was then wholly owned by D&P, a U.S. corporation, which was 100% owned by Mr. Dong. Our Jiangsu production facility commenced operation in the same year.
- On May 9, 2005, Zhaoqing Leoch was established by Leoch Power Supply in Zhaoqing, Guangdong province. Our Zhaoqing production facility commenced operation in 2008. The three-year gap between the establishment and the commencement of production was due to the construction delay caused by a then-existing body of water on the construction site.
- On July 26, 2006, Anhui Leoch Battery was established in Huaibei, Anhui province. It was then held by Uplus, a U.S. corporation which was wholly owned by Mr. Dong. Our Anhui production facility commenced operation in 2008.
- We also established five sales companies located in Beijing, Nanjing, Kunming, Xining and Shenzhen, respectively. Our sales companies are principally engaged in the sale and marketing of our products, as well as providing technical support and after-sale services to our customers. Each of the sales companies is a wholly owned subsidiary of Shenzhen Leoch. Pursuant to two declarations and confirmations, both of which were dated April 28, 2010, Mr. Qian Guanghong held, on behalf of Mr. Dong, (i) 50% equity interest in Beijing Leoch from December 14, 2004 (the date of incorporation of Beijing Leoch) until August 16, 2007 and (ii) 30% equity interest in Shenzhen Leoch from December 29, 2003 until November 30, 2004.

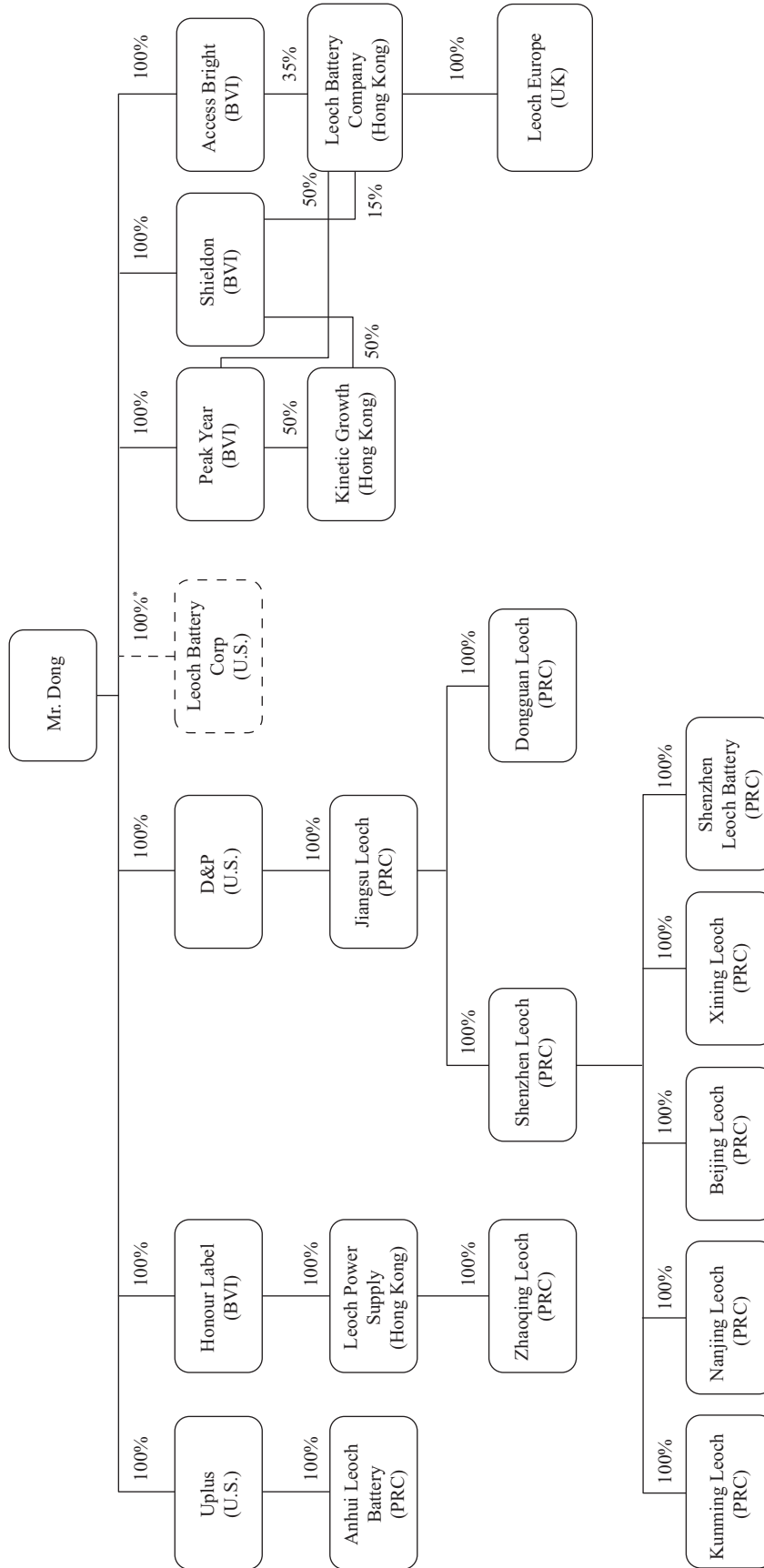
As advised by our PRC legal advisers, all the relevant approvals have been obtained from the competent PRC authorities with respect to the changes in the shareholding of our PRC subsidiaries.

We also expanded our business operation to other countries and regions by establishing several subsidiaries overseas:

- On February 28, 2005, Honour Label was established in the BVI by Mr. Dong. On July 27, 2009, Mr. Dong and Ms. Hong Yu transferred their respective interests in Leoch Power Supply to Honour Label.
- On April 25, 2007, Leoch Battery Company was established in Hong Kong. It is engaged in trading.
- On January 11, 2008, Kinetic Growth was established in Hong Kong. It is engaged in the sale of lead-acid batteries.
- On January 5, 2010, Leoch Europe was established in the United Kingdom. It currently has no operations and plans to be engaged in trading of battery products.
- On April 5, 2010, Leoch Battery Pte was established in Singapore. It currently has no operations and plans to be engaged in general wholesale trading, research and development, general warehousing, logistics and moving services.

**OUR REORGANIZATION**

Immediately prior to our Reorganization, our shareholding structure was as follows:



\* Prior to the Reorganization, Leoch Battery Corp was 100% owned by Ms. Peng Hui, Mr. Dong's spouse. Its results of operations during the Track Record Period were consolidated into our results of operations.

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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### *Reorganization*

Pursuant to our Reorganization, our Company was incorporated in the Cayman Islands on April 27, 2010. Our initial authorized share capital was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. Upon incorporation, we were wholly-owned by Master Alliance, which is in turn wholly owned by Mr. Dong. In preparation for the Listing and as part of our Reorganization, we established Catherine Holdings and acquired the present subsidiaries in our Group.

#### **(a) Restructuring of Peak Year, Sheldon, Access Bright, Leoch Battery Company and Leoch Europe**

On March 16, 2010, Access Bright transferred its 350,000 shares of Leoch Battery Company (representing 35% of the total issued share capital of Leoch Battery Company) to Peak Year at par value of HK\$1.00 per share.

On March 16, 2010, Sheldon transferred its 150,000 shares of Leoch Battery Company (representing 15% of the total issued share capital of Leoch Battery Company) to Peak Year at par value of HK\$1.00 per share.

After the above share transfers, Leoch Battery Company became a wholly owned subsidiary of Peak Year, and Leoch Europe became an indirect wholly owned subsidiary of Peak Year.

#### **(b) Incorporation of Leoch Battery Pte**

On April 5, 2010, Leoch Battery Pte was incorporated and is wholly owned by Leoch Power Supply with Mr. Dong as the director.

#### **(c) Incorporation of Catherine Holdings**

On May 3, 2010, Catherine Holdings was incorporated in the BVI with an authorized share capital of US\$50,000 and is wholly owned by our Company.

#### **(d) Transfer of Anhui Leoch Battery from Uplus to Leoch Power Supply**

Pursuant to a share transfer agreement dated April 15, 2010, Leoch Power Supply purchased the entire issued share capital of Anhui Leoch Battery from Uplus, at a fair value of US\$11,943,000. The consideration for the purchase was satisfied by a promissory note in the amount of US\$11,943,000 issued by Leoch Power Supply to Uplus. After the acquisition, Anhui Leoch Battery became a wholly owned subsidiary of Leoch Power Supply and an indirect wholly owned subsidiary of our Company. On April 15, 2010, Uplus declared dividend in specie and the promissory note was distributed to Mr. Dong. On April 15, 2010, Mr. Dong transferred the promissory note to Master Alliance for a consideration of HK\$1.0, Master Alliance transferred the promissory note to our Company for a consideration of HK\$1.0 and our Company transferred the promissory note to Catherine Holdings for a consideration of HK\$1.0.

#### **(e) Transfer of Jiangsu Leoch from D&P to Leoch Power Supply**

Pursuant to a share transfer agreement dated May 13, 2010, Leoch Power Supply purchased the entire issued share capital of Jiangsu Leoch from D&P, at a fair value of US\$37,658,000. The consideration for the purchase was satisfied by a promissory note in the amount of US\$37,658,000 issued by Leoch Power Supply to D&P. After the acquisition, Jiangsu Leoch became a wholly-owned subsidiary of Leoch Power Supply and an indirect wholly owned subsidiary of our Company. Accordingly, each of Shenzhen Leoch, Dongguan Leoch, Kunming Leoch, Nanjing Leoch, Beijing Leoch, Xining Leoch and

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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

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Shenzhen Leoch Battery became an indirect wholly owned subsidiary of our Company. On May 13, 2010, D&P declared dividend in specie and the promissory note was distributed to Mr. Dong. On May 13, 2010, Mr. Dong transferred the promissory note to Master Alliance for a consideration of HK\$1.0, Master Alliance transferred the promissory note to our Company for a consideration of HK\$1.0 and our Company transferred the promissory note to Catherine Holdings for a consideration of HK\$1.0.

**(f) The incorporation of Anhui Leoch Power**

On October 26, 2010, Anhui Leoch Power was incorporated in Anhui province, PRC, with a registered capital of HK\$150,000,000 and a total investment amount of HK\$230,000,000. Anhui Leoch Power is wholly owned by Leoch Power Supply.

**(g) Acquisition of Honour Label**

On May 24, 2010, Catherine Holdings acquired the entire issued share capital of Honour Label from Mr. Dong. The consideration for the acquisition was satisfied by Catherine Holdings allotting and issuing, credited as fully paid, one ordinary share of US\$1.00 to our Company as directed by Mr. Dong. After the share transfer, Honour Label became a wholly owned subsidiary of Catherine Holdings and an indirect wholly owned subsidiary of our Company.

**(h) Acquisition of Peak Year**

On May 24, 2010, Catherine Holdings acquired the entire issued share capital of Peak Year from Mr. Dong. The consideration for the acquisition was satisfied by Catherine Holdings allotting and issuing, credited as fully paid, one ordinary share of US\$1.00 to our Company as directed by Mr. Dong. After the share transfer, Peak Year became a wholly owned subsidiary of Catherine Holdings and an indirect wholly owned subsidiary of our Company.

**(i) Acquisition of Sheldon**

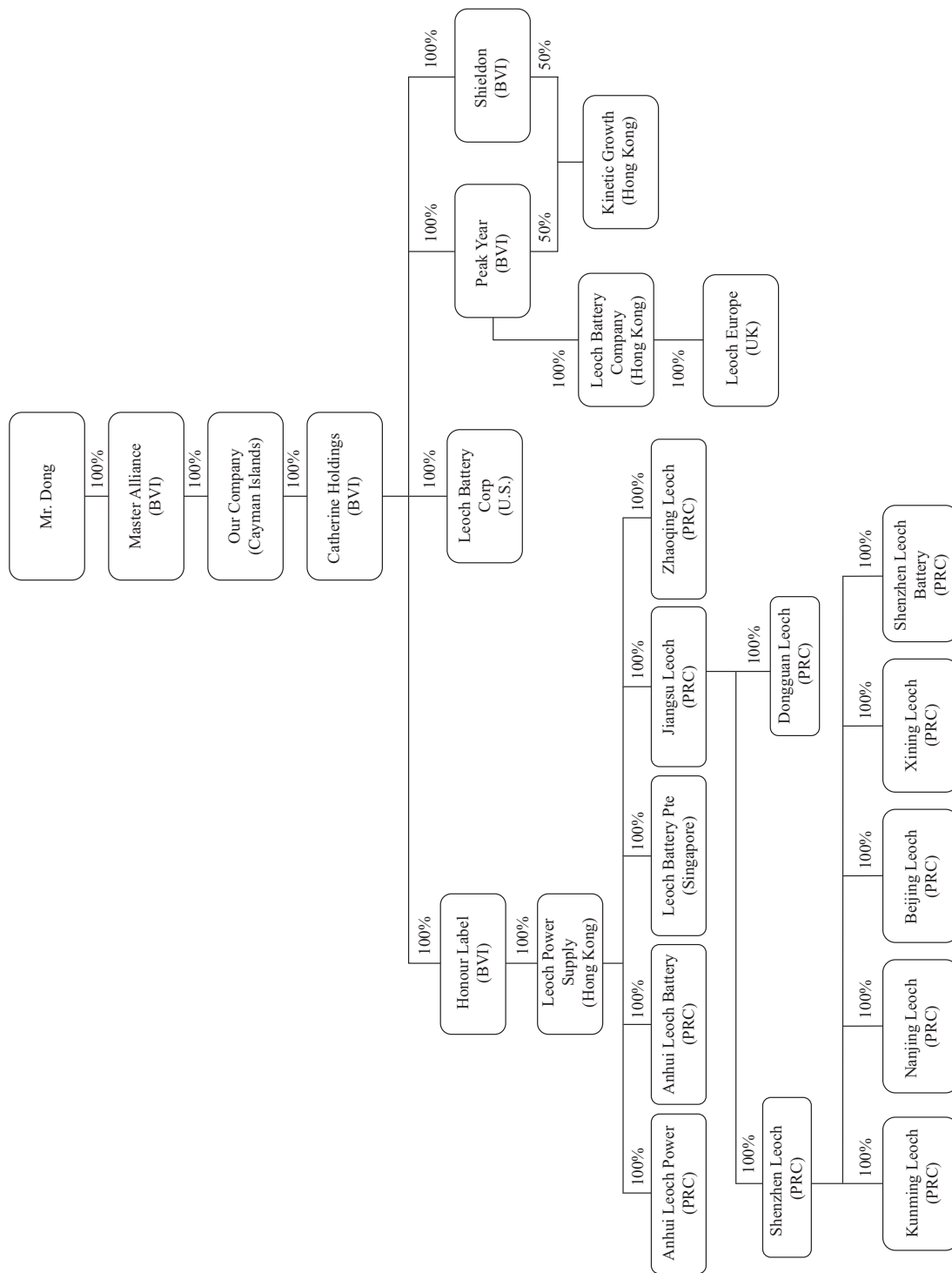
On May 24, 2010, Catherine Holdings acquired the entire issued share capital of Sheldon from Mr. Dong. The consideration for the acquisition was satisfied by Catherine Holdings allotting and issuing, credited as fully paid, one ordinary share of US\$1.00 to our Company as directed by Mr. Dong. After the share transfer, Sheldon became a wholly owned subsidiary of Catherine Holdings and an indirect wholly owned subsidiary of our Company.

**(j) Acquisition of Leoch Battery Corp**

On May 31, 2010, Catherine Holdings acquired the entire issued share capital of Leoch Battery Corp, a company established in the State of California principally engaged in the trading of battery products in the United States from Peng Hui, the spouse of Mr. Dong, at a consideration of US\$300,000. The consideration for the acquisition was satisfied by cash. After the share transfer, Leoch Battery Corp became a wholly owned subsidiary of Catherine Holdings and an indirect wholly owned subsidiary of our Company. The results of operations of Leoch Battery Corp during the Track Record Period were consolidated into our results of operations by merger accounting because Peng Hui and Mr. Dong, our Controlling Shareholder, are husband and wife and generally considered to be under common control under IFRS 3. The results of operations of Leoch Battery Corp constituted less than 2.5% of our results of operations during the Track Record Period.

## HISTORY, REORGANIZATION AND GROUP STRUCTURE

Immediately following the completion of the Reorganization and before the Global Offering and the Capitalization Issue, the shareholding structure of our Company was as follows:



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## HISTORY, REORGANIZATION AND GROUP STRUCTURE

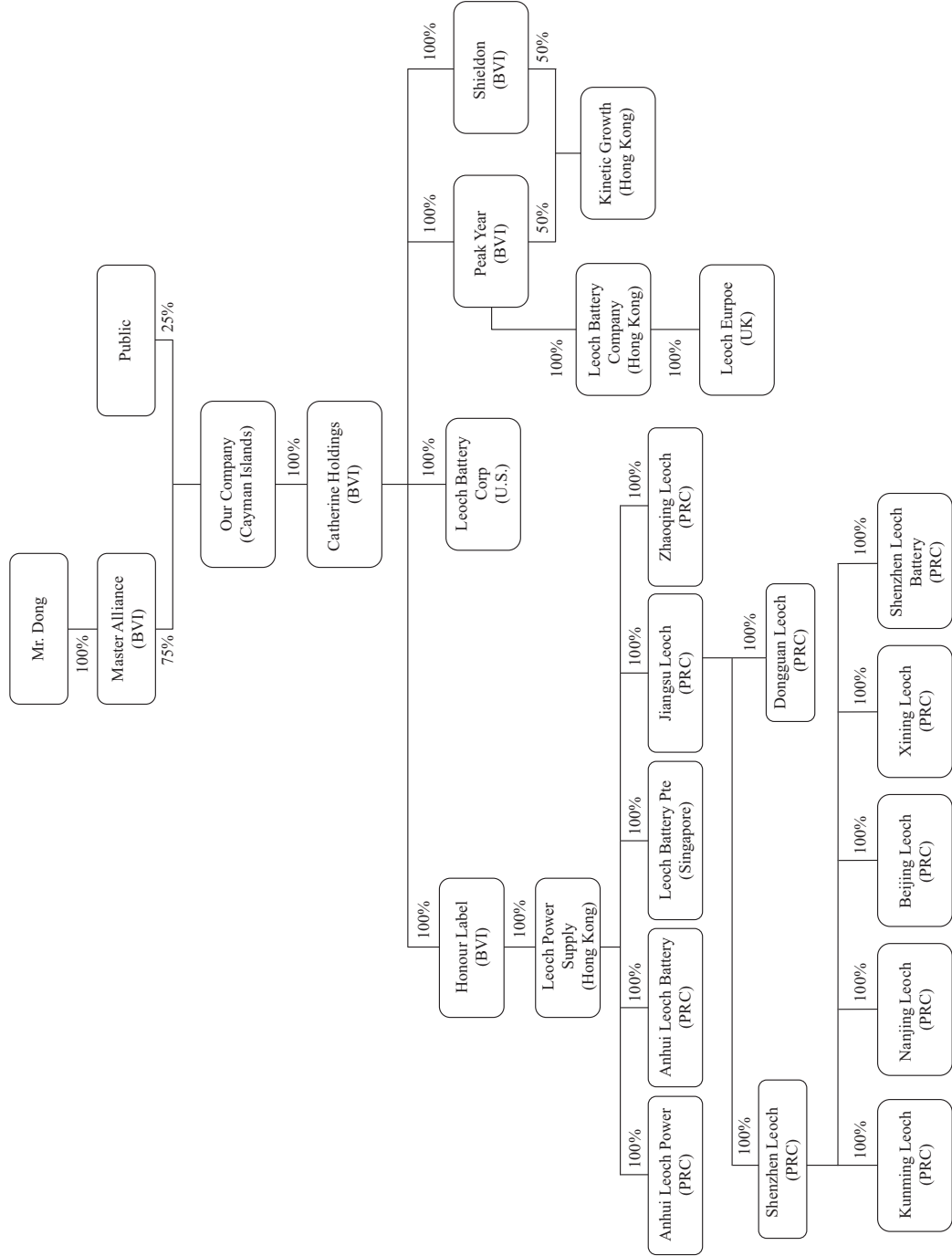
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### CAPITALIZATION ISSUE

On October 14, 2010, our authorized share capital was further increased from HK\$380,000 divided into 3,800,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 Shares through the creation of 9,996,200,000 additional Shares. Conditional upon the crediting of our share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors are authorized to capitalize an amount of HK\$99,999,999.90 standing to the credit of our share premium account by applying such sum towards the paying up in full at par a total of 999,999,999 Shares for allotment and issue to our sole Shareholder as of October 14, 2010.

**GROUP STRUCTURE**

The following chart sets forth our corporate and shareholding structure upon completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised), without taking into account the Shares which may be issued upon the exercise of any options under the Pre-IPO Share Option Scheme and the Share Option Scheme:



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## OUR BUSINESS

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### OVERVIEW

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

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

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

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



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## OUR BUSINESS

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

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

### OUR COMPETITIVE STRENGTHS

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

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

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

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## OUR BUSINESS

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

### *Strong research and development capabilities*

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

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

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

### *Vertically integrated production and centralized operations*

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

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## OUR BUSINESS

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

### *Broad range of high quality products*

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

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

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

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

### *Extensive global sales and service network*

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

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## OUR BUSINESS

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

### *Experienced and stable management team*

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

## OUR STRATEGIES

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

### *Further penetrate China's high-growth sectors*

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

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

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

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

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## OUR BUSINESS

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### *Continue to expand in the international market*

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

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

### *Capitalize on our research and development expertise*

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

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

### *Expand our production capacity and optimize efficiency*

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

## OUR BUSINESS





### OUR PRODUCTS

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

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

Type	Technology	Model Series	Voltage (v)	Battery Capacity (Ah)	Application	Picture
RESERVE POWER	AGM VRLA	<ul style="list-style-type: none"> <li>• LP General Use Series</li> <li>• LPX High Current Series</li> <li>• LPL Long Life Series</li> <li>• LPS Renewable Energy Series</li> <li>• LPF Front Terminal Series</li> </ul>	2V, 4V, 6V, 8V, 12V	0.251 ~ 4,025	Telecommunications; UPS; renewable energy; consumer products; switchgear and electrical control systems	 
	Gel VRLA	<ul style="list-style-type: none"> <li>• LPG Series</li> <li>• LPFG Front Terminal Series</li> </ul>	2V, 4V, 6V, 12V	13.2 ~ 3,200.1	Telecommunications; UPS; renewable energy; switchgear and electrical control systems	
	Tubular Gel	<ul style="list-style-type: none"> <li>• OPzV Series</li> </ul>	2V	200 ~ 3,000	Telecommunications; renewable energy; consumer products; switchgear and electrical control systems	
	Flooded	<ul style="list-style-type: none"> <li>• OPzS Series</li> </ul>	2V	200 ~ 3,000	Telecommunications; renewable energy; consumer products; switchgear and electrical control systems	
	TPPL VRLA	<ul style="list-style-type: none"> <li>• EP Series</li> </ul>	12V	18 ~ 207	Telecommunications; UPS; renewable energy	
SLI	Flooded	<ul style="list-style-type: none"> <li>• JIS Series</li> <li>• DIN Series</li> <li>• BCI Series</li> <li>• Dry-charged Series</li> </ul>	6V, 12V	2 ~ 220	Automobiles	
		<ul style="list-style-type: none"> <li>• Ships Series</li> <li>• Dry-charged Series</li> </ul>			Ships/Boats	
		<ul style="list-style-type: none"> <li>• Conventional Series</li> <li>• LB High Performance Series</li> </ul>			Motorcycles	

## OUR BUSINESS

Type	Technology	Model Series	Voltage (v)	Battery Capacity (Ah)	Application	Picture
	AGM VRLA	<ul style="list-style-type: none"> <li>• Lean-liquid PP/Wet Series</li> <li>• LT PP/Dry Series</li> <li>• EB PP/Dry Series</li> <li>• LT ABS/Wet Series</li> <li>• EB ABS/Wet Series</li> </ul>	6V, 12V	2.3 ~ 100	Automobiles Motorcycles	
MOTIVE POWER	AGM VRLA	<ul style="list-style-type: none"> <li>• LPC General Cycle Series</li> <li>• GF Series</li> <li>• EV Series</li> </ul>	6V, 8V, 12V	3.5 ~ 390	Electric industrial vehicles; small portable equipment	
	Flooded	<ul style="list-style-type: none"> <li>• DT Series</li> <li>• DIN Series</li> <li>• BS Series</li> <li>• DIN High Rate Series</li> <li>• BS High Rate Series</li> </ul>	2V, 6V, 8V 12V	110 ~ 1,550	Electric industrial vehicles; light electric vehicles	
	Tubular Gel	• PzV Series	2V	110 ~ 1,200	Electric industrial vehicles; light electric vehicles	

## OUR BUSINESS

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

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

*Note:*

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

### ***Reserve Power Batteries***

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

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



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

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

### ***SLI Batteries***

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

### ***Motive Power Batteries***

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

The primary applications of motive power batteries include:

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

## CUSTOMERS

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

## OUR BUSINESS

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

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

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

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

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

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## OUR BUSINESS

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

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

### *Pricing*

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

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

### *Terms of Sales and Credit Policy*

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

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## OUR BUSINESS

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

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

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

### SALES AND MARKETING

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



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## OUR BUSINESS

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

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



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

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## OUR BUSINESS

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

### AFTER-SALE SERVICES AND PRODUCT WARRANTY

#### *Domestic Market in China*

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

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

#### *International Market*

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

### RESEARCH AND DEVELOPMENT

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

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## OUR BUSINESS

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

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

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

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

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

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

### PRODUCTION FACILITIES

#### *Production Facilities*

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

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

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

*Notes:*

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



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- (2) Shenzhen's installed capacity decreased in 2008 because one of the production lines was moved to our Zhaoqing production facility.
- (3) Shenzhen's utilization rate exceeded 100% due to overtime work.
- (4) As of June 30, 2010, our aggregate annual installed capacity was approximately 5.1 million KVAh, calculated as our aggregate daily installed capacity on June 30, 2010 multiplied by 365 days.

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

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

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

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

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

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

### *Equipment*

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

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

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

### *Expansion Plans*

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

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

### **PRODUCTION PROCESS**

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

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

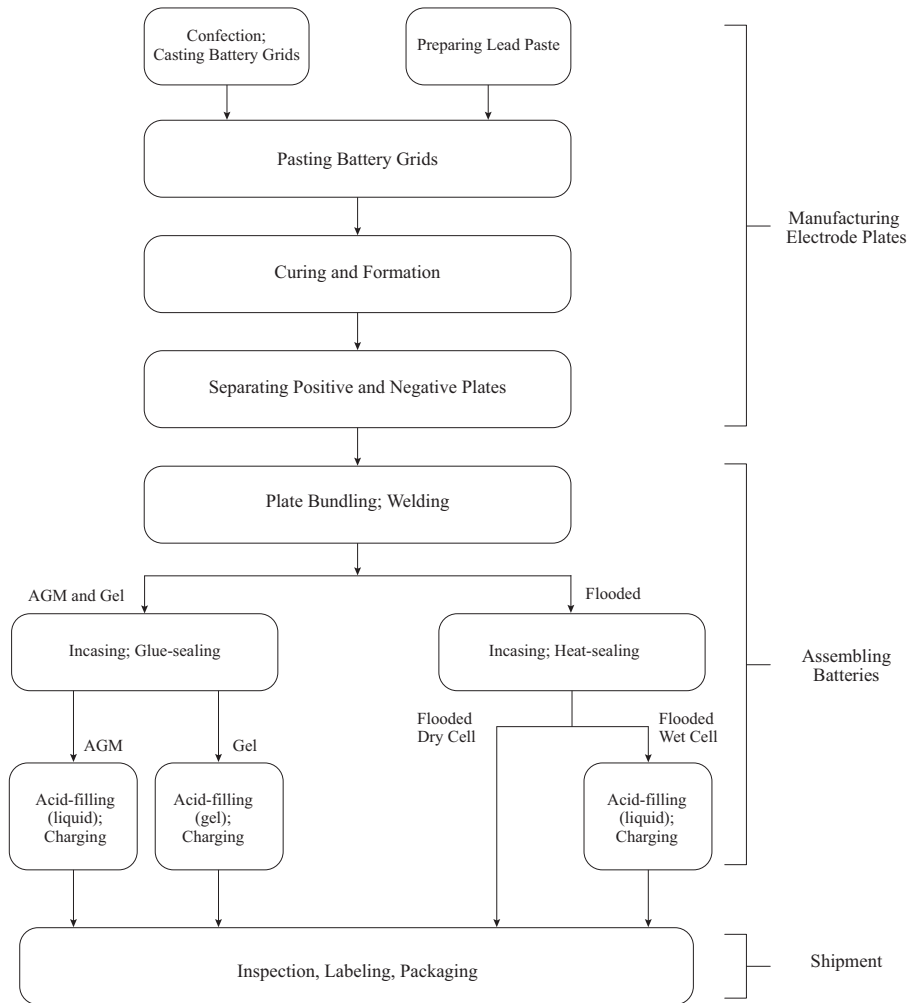
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## OUR BUSINESS

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### *Production Process for Flooded, AGM VRLA and Gel VRLA Batteries*

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



The key stages in production process include:

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

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

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

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

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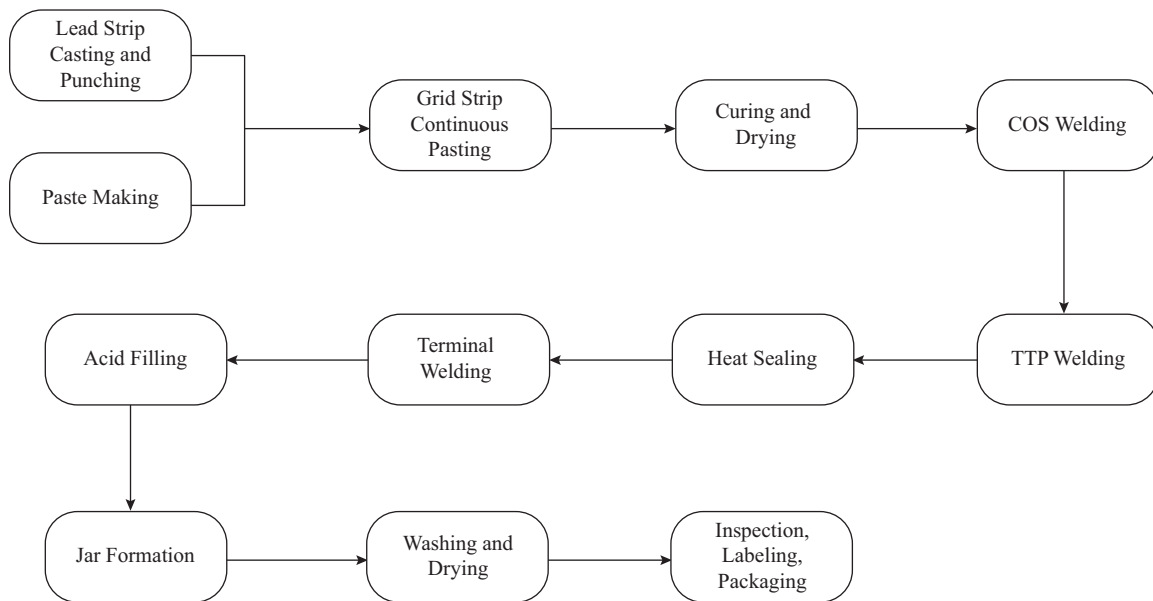
*Separating, Plate Bundling, Welding, Incasing and Sealing.* Pairs of positively charged and negatively charged electrode plates, or positive tubular plates and negative flat plates for tubular batteries, are separated by a fiberglass separator and bound together. The various positive and negative plates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

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

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

### ***Production Process for TPPL VRLA Batteries***

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



The key stages in production process include:

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

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

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

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

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

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

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

### RAW MATERIALS AND UTILITIES

#### *Raw Materials*

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

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

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

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

#### *Inventory*

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

#### *Electricity*

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

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

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### SUPPLIERS

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

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

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

In 2007, 2008 and 2009 and the six months ended June 30, 2010, purchases from our five largest suppliers accounted for 67.1%, 62.4%, 51.5% and 47.4%, respectively, of our total purchase, while purchases from our largest supplier accounted for 34.7%, 39.0%, 30.5% and 23.9%, respectively, of our total purchases. The concentration of our suppliers results from the fact that lead is our principal raw material and primary component of our cost of sales. While we have a number of lead suppliers, our larger suppliers currently comprise a significant percentage of our total supply expenditures.

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

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

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

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

### QUALITY CONTROL AND RECOGNITION

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

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

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

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

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

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

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

### COMPETITION

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

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

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

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



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### EMPLOYEES

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

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

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

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

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

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

#### *Housing Fund and Social Security*

We have not paid certain historical housing fund and social security contributions in strict compliance with the relevant PRC regulations for and on behalf of certain employees due to differences in local regulations, and inconsistent implementation or interpretation by local authorities in the PRC, and different levels of acceptance of the housing fund and social security system by our employees.

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

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

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

Pursuant to the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) as amended in 2002, the relevant housing fund authority may order an enterprise to pay outstanding contributions within a prescribed time limit. If the enterprise fails to do so at the expiration of the time limit, a penalty ranging from RMB10,000 to RMB50,000 may be imposed. Therefore, the maximum penalty that we may be subject to in respect of the outstanding housing fund contributions is approximately RMB350,000. Pursuant to the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated in 1999, the relevant social security authority may order an enterprise to pay the outstanding contributions within a prescribed time limit; if the enterprise fails to do so at the expiration of the time limit, in addition to the outstanding contributions, a late-payment fine of 0.2% per day from the date when the amount became overdue may be imposed.

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

Based on the foregoing, we have not made payments of the outstanding social security and housing fund contributions. The total outstanding amount of such historical housing fund and social security contributions was approximately RMB18.3 million and RMB4.7 million, respectively, as of June 30, 2010 assuming a two-year statutory limitation period. As of June 30, 2010, we had made provisions in the amount of RMB23.0 million for our liability to pay these contributions and, unless otherwise covered by the said provisions, Mr. Dong has also provided an indemnity against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us in any member of the Group in this regard. For further details of Mr. Dong's indemnity, see "Other Information—Indemnities" in Appendix VII to this prospectus.

### ENVIRONMENT, HEALTH AND SAFETY

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

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### *Environmental Protection Measures*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Note:**

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

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

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### *Health and Safety Measures*

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

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

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

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

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



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

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

### INSURANCE


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

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

### INTELLECTUAL PROPERTY RIGHTS

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

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

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

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## OUR BUSINESS

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

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

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

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

### PROPERTIES

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

#### *PRC Properties*

##### **Land and Buildings**

As of August 31, 2010, we owned:

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

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## OUR BUSINESS

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### Leased Properties

As of August 31, 2010, we leased:

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

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

### Defective Property Titles

#### *Owned properties without building ownership certificates or real estate title certificates*

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

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

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## OUR BUSINESS

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

### *Licensed property of Dongguan Leoch*

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

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## OUR BUSINESS

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### *Leased properties*

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

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

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

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

### *Overseas Properties*

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

#### **United States**

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

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## OUR BUSINESS

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### **United Kingdom**

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

### **Singapore**

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

## **LEGAL PROCEEDINGS AND REGULATIONS**

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

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

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of our Board:

Name	Age	Position
Dong Li (董李).....	44	Chairman, Executive Director and Chief Executive Officer
Zhao Huan (趙歡).....	34	Executive Director and Vice President
Philip Armstrong Noznesky.....	70	Executive Director
An Wenbin (安文彬).....	70	Independent Non-executive Director
Cao Yixiong Alan (曹亦雄).....	42	Independent Non-executive Director
Liu Yangsheng (劉陽生).....	63	Independent Non-executive Director

#### *Executive Directors*

**Dong Li (董李)**, aged 44, is an executive Director and our chief executive officer, chairman and founder. He was appointed as our Director on April 27, 2010, the date of the incorporation of our Company. He is also a director and legal representative of Anhui Leoch Power, Xining Leoch, Shenzhen Leoch Battery, Anhui Leoch Battery, Dongguan Leoch and Shenzhen Leoch and a director of Leoch Power Supply, Leoch Battery Pte, Honour Label, Peak Year, Leoch Battery Company and Sheldon. Mr. Dong graduated from Northwest Textile University of Science and Technology, the predecessor of Xi'an Polytechnic University, in 1988 with a bachelor's degree in engineering and Xi'an International Studies College, the predecessor of Xi'an International Studies University, in 1990 with a bachelor of arts degree. From 1988 to 1998, Mr. Dong was an lecturer in English in Northwest Textile University of Science and Technology. Starting in 1991, Mr. Dong began to spend a portion of his time on commercial activities while remaining a part-time lecturer in Northwest Textile University of Science and Technology. From 1994, he began to assist the sales and marketing of a battery sales company. Recognizing the growth potential of the lead-acid battery industry, in 1999, Mr. Dong ceased to be a lecturer and founded Shenzhen Leoch to fully concentrate on the battery business, and has worked for our Group since then. Mr. Dong has over 10 years of experience in the battery industry. He led our development and application for over 20 patent rights relating to batteries. Contributing to his business experience and social participation, he received various recognitions and honours in the past including Outstanding China Non-governmental Entrepreneur (中國優秀民營科技企業家), Rising Star Entrepreneur of Shenzhen (深圳「創業新星」), Honorary Citizen (榮譽市民) of Zhaoqing City in China and Texas in the United States, and also holds social positions including Committee Member of the Youth Committee of All-China Federation of Returned Overseas Chinese (中國僑聯青年委員會委員), Council Member of China Society For Promotion of the Guangcai Program (中國光彩事業促進會理事), Member of the Commercial Council of the All-China Federation of Industry & Commerce (中華全國工商聯直屬會員), Vice Chairman of Guangdong Commercial Chamber of High-Technology Estate (廣東高科技產業商會副會長), Honorary Chairman of the Chinese CEO Organization (美國美中工商協會名譽會長) and Executive Vice President of the Southern California Overseas Chinese Association (美國南加州華人華僑聯合總會常務副會長). Mr. Dong is a Controlling Shareholder of our Company. For details of the relationship between Mr. Dong and our Company, please see the section titled "Relationship with the Controlling Shareholders".

**Zhao Huan (趙歡)**, aged 34, is an executive Director and vice president in charge of international sales, administration, human resources and treasury of our Company, as well as the global promotion of our products. She was appointed as our Director on June 11, 2010. Ms. Zhao graduated from Guangdong Economics Management Cadre College specializing in finance in 1996 and from the University of Hertfordshire in the UK in 2004 with a master of arts degree in international business. She has over six years of experience in international sales. Ms. Zhao first joined our Company in 2004 as a foreign trade clerk. She was subsequently promoted to foreign trade manager, deputy general manager of foreign trade department and finally to her current position, in which her responsibilities focus more on the overall management and strategic development of our sales and marketing.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Philip Armstrong Noznesky**, aged 70, is an executive Director of our Company and sales president of Leoch Battery Corp. Mr. Noznesky was appointed as our Director on June 11, 2010. He is also the sales president of Leoch Battery Corp. Mr. Noznesky graduated from Xavier University in 1962 with a bachelor's degree in sciences and obtained a master of arts degree in Russian History from Georgetown University in 1965. He joined us in 2007 as sales president of Leoch Battery Corp. in charge of the sales of our products in the U.S. market. Before joining us, Mr. Noznesky had been in the management of other companies in the battery industry, including Energy Battery Group, Accumuladores Mexicanas, GNB Inc. and General Battery Corp. He has over 40 years of experience in sales of battery in the U.S. market.

### *Independent Non-executive Directors*

**An Wenbin** (安文彬), aged 70, was appointed as our independent non-executive Director on October 14, 2010. Mr. An graduated from Zhongshan University, Guangzhou, China with a bachelor's degree in English language and literature in 1963. In 1965, he obtained a master degree in English from Beijing Foreign Languages University. He was appointed as a diplomat to the Chinese Embassy in Canada between 1978 and 1986 and between 1990 and 1994, part of which periods he served as a Ambassador and Consulate General of the PRC. In 1987, he headed the delegation to set up the Chinese Consulate General Office in Los Angeles, California, and served as the Deputy Counsel General and later the Counsel General at the office for the next seven years. In 1995, he was the Chief of Protocol for the 4th World Women Conference, Beijing, China. From 1995 to 1997, Mr. An served as the Director General of Protocol Department of the Ministry of Foreign Affairs of PRC, during which he was the Chief of Protocol Director for Hong Kong's Sovereignty Return to China Grand Ceremony. In 2001, he was the Chief of Protocol Coordinator for APEC, Shanghai, China. As the Chief Protocol and before his retirement in 2002, Mr. An arranged for and accompanied Chinese leaders, including President Jiang Zemin, Premier Li Peng and Premier Zhu Rongji, in their visits to more than 30 countries, including the United States, France, Germany and Russia.

**Cao Yixiong Alan** (曹亦雄), aged 42, was appointed as our independent non-executive Director on October 14, 2010. Mr. Cao holds a bachelor's degree in accounting from Sonoma State University and an MBA degree from the Anderson School of the University of California, Los Angeles. He worked at the auditing department of Coopers & Lybrand between 1993 and 1996, and obtained his CPA license (California, United States) in 1996. From 1997 to 2002, he worked at J.P. Morgan and Merrill Lynch in their respective private banking divisions. Since 2002, he has been the executive director of Etech Capital, a subsidiary of Etech Securities, Inc., responsible for its Greater China private equity advisory business. He is also currently the chief executive officer, director and founding partner of Shanghai Great Wall Etech Capital Management Company, a joint venture between China Great Wall Asset Management Company, one of the largest Chinese asset management companies, and Etech Group. Mr. Cao is also currently the chairman of the board of supervisors of Chongqing Tongli Heavy Machinery Company.

**Liu Yangsheng** (劉陽生), aged 63, was appointed as our independent non-executive Director on October 14, 2010. Mr. Liu studied wireless communications at Beijing College of Posts and Telecommunications, the predecessor of Beijing University of Posts and Telecommunications, from 1965 to 1970. After that, he worked at Beijing College of Posts and Telecommunications for more than 10 years until 1984. Mr. Liu joined the Ministry of Posts and Telecommunications, the predecessor of Ministry of Industry and Information Technology, in 1984, and served as the director of the cadre members department and director of the human resources department. Mr. Liu retired from the Ministry of Information Industry, the predecessor of Ministry of Industry and Information Technology, in 2007. Ministry of Industry and Information Technology is responsible for the overall management such as promulgation of industry policies and strategies, implementation of laws and regulations, and assessment for approvals and permits of the telecommunication industry in the PRC which covers aspects of telecommunication equipment such as telecommunication batteries. Therefore, during his time with Ministry of Industry and Information Technology and its predecessor, Mr. Liu had the experience in



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## DIRECTORS AND SENIOR MANAGEMENT

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working in the telecommunication battery area. Mr. Liu is now the chairman of Cosmos Posts & Telecommunications International Leasing Co., Ltd. (環宇郵電國際租賃有限公司) and a supervisor of Viton Wireless Technology AG, a company listed on the Frankfurt Stock Exchange (stock code: CHEN99).

Except as disclosed in this prospectus, and except for his/her interest in our business, none of our Directors or any of their respective associates have any business or any interest in any business (excluding our business) which competes with or is likely to be in competition with our business.

### SENIOR MANAGEMENT

The table below sets forth information regarding our senior management:

Name	Age	Position
Dong Li (董李) .....	44	Chief Executive Officer
Zhao Huan (趙歡).....	34	Vice President
Philip Armstrong Noznesky .....	70	Sales President of Leoch Battery Corp.
Liu Shuen Kong (廖船江) .....	38	Chief Financial Officer and Company Secretary
Qian Guanghong (錢廣宏) .....	37	Vice President
Hong Yu (洪渝).....	39	Vice President
Xiong Zhenglin (熊正林).....	40	Vice President
Li Yujiu (李逾九) .....	59	Vice President
Peng Xiaomeng (彭小勳) .....	34	Vice President

**Dong Li** (董李), aged 44, is our chief executive officer. Mr. Dong's biographical details are set out above under the sub-section titled "Directors—Executive Directors".

**Zhao Huan** (趙歡), aged 34, is our vice president in international sales, administration, human resources and treasury. Ms. Zhao's biographical details are set out above under the sub-section titled "Directors—Executive Directors".

**Philip Armstrong Noznesky**, aged 70, is the sales president of Leoch Battery Corp. Mr. Noznesky's biographical details are set out above under the sub-section titled "Directors—Executive Directors".

**Liu Shuen Kong** (廖船江), aged 38, is our chief financial officer and our company secretary. Mr. Liu joined our Company in October 2010. He graduated from RMIT University of Australia with a bachelor's degree in accounting and a master's degree in accounting in 1996 and 2002, respectively. He further obtained a master's degree in business administration from Deakin University of Australia in 2004. Mr. Liu has more than ten years of experience in accounting, auditing and management and has worked at KPMG since 1996 as a manager, senior manager and supervisor. From 1996 to 1999, he worked in the audit department of the Hong Kong office of KPMG. From 1999 to 2010, he worked in the financial advisory service department of the Guangzhou office and Shenzhen office of KPMG. Mr. Liu is a qualified accountant of CPA Australia and Hong Kong Institute of Certified Public Accountants.

**Qian Guanghong** (錢廣宏), aged 37, is our vice president of production. He studied management at Tsinghua University in 2004 and electrochemistry at Harbin Industrial University in 2006. Mr. Qian joined our Company upon its establishment in 1999 and has over 10 years of experience in the production of batteries. Mr. Qian began his career at our Group as a head of factory, and was subsequently promoted to general manager and vice president of production. He is experienced in the production technology and process of various kinds of rechargeable batteries. He established our ISO14000, TS16949 and precision production management system and promoted its application. He is in charge of the production plans at our production facilities and the procurement and certification of key production equipment. In December 2008, Mr. Qian was appointed by the China Electrotechnical Society as a committee member of the First Lead Acid Reserve Power Battery Expert Committee from 2008 until 2012.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Hong Yu** (洪渝), aged 39, is our vice president in purchasing. Ms. Hong graduated from Northwest Textile University for Science and Technology, the predecessor of Xi'an Polytechnic University, in 1994 majoring in textiles engineering and minoring in international economics and sales. Ms. Hong has over 10 years of management and operational experience. From 1994 to 2000, she worked at Xi'an Oumei Handicrafts Co. Ltd (西安歐美工藝品有限公司) as the manager of the foreign trade department. Ms. Hong joined our Group in 2000 as a salesperson, and was subsequently promoted to the manager of the foreign trade department and deputy general manager of the foreign trade department. From 2000 to 2005, Ms. Hong was in charge of our foreign trade department. She was appointed the vice president of our Company in 2005 in charge of our purchasing department.

**Xiong Zhenglin** (熊正林), aged 40, is our vice president in charge of engineering and technical development. Mr. Xiong graduated from Xiang Tan University in 1994 majoring in industrial chemistry. After graduation, he worked in Hunan Zhuzhou Motorbike Factory (湖南株州摩托車廠) as a technician until 1997. Between 1997 and 1999, Mr. Xiong worked as a technical engineer at Guangdong Tangqian Xinli Battery Limited, which is the production base of GS Yuasa Corporation in the PRC. Mr. Xiong joined our Group in 1999, and has over 10 years of experience in the management of battery technology, quality control and equipment. Mr. Xiong joined our Group as a quality control manager, and was subsequently promoted to be our chief engineer, and finally his current position. Mr. Xiong is the joint inventor of eight patent rights relating to batteries. Mr. Xiong is also a part-time graduate student advisor at School of Chemistry & Environment, South China Normal University, a member of the First Session of Lead-acid Battery Committee (第一屆鉛酸蓄電池專業委員會委員) of China Electrotechnical Society, a member of the Standardization Committee of the People's Republic of China and has participated in the drafting of several national standards for lead-acid battery industry.

**Li Yujiu** (李渝九), aged 59, is our vice president in domestic sales. Mr. Li graduated from Beijing University of Posts and Telecommunication in 1980, majoring in physics. Mr. Li has worked as the deputy station master of Beijing Materials Supply Station of the Armed Police Headquarter (武警總部北京物質供應站) in charge for procurement. Mr. Li has almost 20 years of management and sales experience in the area of telecommunication equipment. Mr. Li joined our Group in 2005 as a deputy general manager. He was appointed as our vice president in domestic sales in 2006, in charge of domestic sales. He also provides support to industry analysis and operational strategy.

**Peng Xiaomeng** (彭小勳), aged 34, is our vice president in charge of external technical exchange. Mr. Peng graduated from China Nankai University in 1999 with a bachelor's degree in physics and electronics and obtained a master's degree in natural science from Louisiana State University in 2004. After graduation, he remained at Louisiana State University as an assistant lecturer until 2006. Mr. Peng joined our Group in 2006 as an engineer and was promoted to his current position in 2010. Mr. Peng is the brother-in-law of Mr. Dong.

### COMPANY SECRETARY

**Liu Shuen Kong** (廖船江), aged 38, is our chief financial officer and our company secretary. Mr. Liu's biographical details are set out above under the sub-section titled "Senior Management".

### BOARD COMMITTEES

#### *Audit Committee*

We established an audit committee on October 14, 2010 with effect from the Listing with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise our financial reporting process and internal control systems.

The audit committee comprises three members, namely, Cao Yixiong Alan, An Wenbin and Liu Yangsheng. They are all independent non-executive Directors. The audit committee is chaired by Cao Yixiong Alan.

## DIRECTORS AND SENIOR MANAGEMENT

### *Remuneration Committee*

We established a remuneration committee on October 14, 2010 with effect from the Listing. The primary duties of the remuneration committee are to evaluate and make recommendations to our Board regarding the compensation of the chief executive officer and other executive Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of our senior management.

The current members of the remuneration committee are Mr. Dong, An Wenbin and Cao Yixiong Alan. The remuneration committee is chaired by Mr. Dong.

### *Nomination Committee*

We established a nomination committee on October 14, 2010 with effect from the Listing to make recommendations to our Board regarding candidates to fill vacancies on our Board.

The current members of the nomination committee are Mr. Dong, An Wenbin and Liu Yangsheng. The nomination committee is chaired by Mr. Dong.

## COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our remuneration policies are formulated based on qualifications, years of experiences and the performance of individual employees and are reviewed regularly. The same policies will be maintained after Listing Date.

The aggregate amount of compensation (including any salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by us during the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, to those persons who have been or are our Directors, was approximately RMB0.3 million, RMB1.5 million, RMB1.6 million and RMB1.0 million, respectively.

It is estimated that remuneration (excluding discretionary bonus) and benefits in kind equivalent to approximately RMB1.7 million in aggregate will be paid and granted to our Directors by us in the year ending December 31, 2010 under arrangements in force as of the date of this prospectus.

An analysis of the five highest paid individuals within our Company during the Track Record Period is as follows:

	Year ended December 31,			Six months ended June 30,
	2007	2008	2009	2010
<b>Number of employees</b>				
Directors .....	1	1	2	2
Non-director employees .....	4	4	3	3
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Details of the remuneration of the above non-director, highest paid individuals are as follows:

	Year ended December 31,			Six months ended June 30,
	2007	2008	2009	2010
	(RMB in thousands)			
Salaries, allowances and benefits in kind ..	772	970	957	666
Performance related bonuses .....	–	–	–	–
Equity-settled share option expense .....	–	–	–	134
Retirement benefit scheme contributions...	14	8	5	6
	<u>786</u>	<u>978</u>	<u>962</u>	<u>806</u>

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## DIRECTORS AND SENIOR MANAGEMENT

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During the Track Record Period, no highest paid individuals waived or agreed to waive any emoluments and no emoluments were paid by our Company to the non-director highest paid individuals as an inducement to join or upon joining our Company, or as compensation for loss of office.

### PRE-IPO SHARE OPTION SCHEME

In order to assist us in attracting, retaining and motivating our key employees and senior management, we adopted a Pre-IPO Share Option Scheme on May 25, 2010, details of which are set out in “Statutory and General Information—Pre-IPO Share Option Scheme” to this prospectus.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in Appendix VII titled titled “Statutory and General Information—Share Option Scheme” to this prospectus.

### MANAGEMENT PRESENCE IN HONG KONG

Since our operations are managed and conducted principally in the PRC and no business activity is carried out or managed in Hong Kong, and two of our executive Directors ordinarily reside in the PRC while the remaining executive Director ordinarily resides in the United States, we consider that it would be practically difficult and commercially unnecessary for us to either relocate two executive Directors to Hong Kong or to appoint two additional executive Directors who are Hong Kong residents. We do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purposes of satisfying the requirement under Rule 8.12 of the Listing Rules.

In this regard, the Stock Exchange has granted a waiver to our Company from strict compliance with the requirements under Rule 8.12 of the Listing Rules. For details, please refer to the section headed “Waivers from Compliance with the Listing Rules and the Companies Ordinance” in this prospectus.

### COMPLIANCE ADVISER

In addition, we will appoint Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us under the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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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, the options granted under the Pre-IPO Share Scheme or any options which may be granted under the Share Option Scheme), Master Alliance will hold approximately 75% of our issued share capital. Since 100% of the total issued share capital of Master Alliance is owned by Mr. Dong, both Master Alliance and Mr. Dong are our Controlling Shareholders.

### EXCLUDED BUSINESS

Mr. Dong operates other businesses apart from that of our Group in the following two lines of business:

- (i) manufacturing and sales of electronic products, chargers, converters, power supply products, plastic products and related parts; and
- (ii) manufacturing of electric vehicles, mini-electric cars and electric scooters.

Set out below are the details of the key operating companies, apart from members of our Group, owned by Mr. Dong.

Name of Company	Principal Business
Shenzhen Marshall Green Power .....	Manufacturing of electric vehicles and related products
Shenzhen Marshall Power Supply .....	Trading of electronic products, electric vehicles and related products
Shanghai Donmin Vehicle Co. Ltd. ....	Manufacturing of electric vehicles and related products
Shenzhen Marxon Power Supply Co. Ltd. ....	Manufacturing of electronic products
Leoch International (H.K.) Ltd .....	Trading of electronic products, electric vehicles and related products

Neither of these businesses is included into our Group, as they are fundamentally different businesses from the lead-acid battery operations of our Group. None of the above businesses involve the manufacturing or developing of lead-acid batteries. The core management personnel of each of the above businesses are independent from those of our Group. Given our different business focus, different customer base and different target markets, we believe there is clear business delineation and that there is no direct competition between the business of our Group and those listed above. As of the Latest Practicable Date, Mr. Dong has no intention to inject the above excluded businesses into our Group in the future.

During the Track Record Period, D&P International Research and Development Corp and Marshall International Inc, both of which are investment holding and non-operating companies incorporated in the United States and wholly owned by Mr. Dong, received cash on behalf of our Group which represented settlement of trade receivables of our customers because some of our overseas customers prefer to make payment to a U.S. entity rather than entities in other countries. As of the Latest Practicable Date, we have ceased such settlement arrangement and payments will be made directly to us. Our Directors confirm that there had not been any misappropriation of assets during the Track Record Period due to the settlement arrangement and there were no material impact on our operations after cessation of such settlement arrangement.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

#### *Management Independence*

The Board comprises three executive Directors and three independent non-executive Directors. Mr. Dong, our Controlling Shareholder, is one of our executive Directors. Each of our Directors is aware of the fiduciary duties as a Director which require, among others, that he/she must act for the benefit and in the best interest of our Company and must not allow any conflict between his/her duties as a Director and his/her personal interest.

Other than Mr. Dong, there is no overlap between the management team of our Company and that of the business as described the paragraph headed “Excluded Business” above. If there is any potential conflict of interest arising out of any transactions to be entered into between our Company and our Directors or their respective associates, the interested Director must abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum.

Our Company has also adopted various corporate governance measures, as described in the paragraph headed “Corporate Governance Measures” below. As these measures set out the basic principles that our Controlling Shareholders should abide by in relation to the management of our Company, our Directors are of the opinion that such measures will strengthen the independence of our management.

#### *Operational Independence*

While our Controlling Shareholders will retain a controlling interest in our Company after the Listing, the board of Directors has full rights to make all decisions relating to our business operations independently. Although Mr. Dong is a Controlling Shareholder and our executive Director, we have our own management and operation team, of which all members (except for Mr. Peng Xiaomeng who is the brother-in-law of Mr. Dong) are independent of the Controlling Shareholders. Moreover, we (through our subsidiaries) hold all relevant licenses necessary to carry on our business, and have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders.

We have independent access to sources of customers and suppliers. We have also established a set of internal control procedures which facilitate the effective operation of our business. Except for the business of Mr. Dong disclosed in the paragraph headed “Excluded Business” above, Mr. Dong and Master Alliance have no other business interests other than their shareholding interests in our Company.

Our Directors currently do not expect that following the Listing, there will be any business transactions between our Company and the Controlling Shareholders and their respective associates except for the continuing connected transactions as disclosed in the section headed “Connected Transactions” to this prospectus. We confirm that we will fully comply with Chapter 14A of the Listing Rules if any connected transaction arises in the future. We also confirm that our operation does not rely on the non-exempt continuing connected transactions as disclosed in the section headed “Connected Transactions” to this prospectus, as we can locate other suppliers without difficulties and our customer base is broad.

We entered into a number of leases pursuant to which we leased certain premises from Mr. Dong or his associates, details of which are set out in the section headed “Connected Transactions” to this prospectus. The leases were entered into on normal commercial terms after arm’s length negotiations. Jones Lang LaSalle Sallmanns Limited, the independent property valuer of our Company, has reviewed the terms of the leases and confirmed that the rent payable by us is consistent with the prevailing market rates for similar premises in similar locations in the PRC and overseas. We were also granted a licence to use an industrial building by Dongguan Leoch Power Supply, details of which are set out in the section headed “Connected Transactions” to this prospectus. We believe that in the event any of Mr. Dong or his associates ceases to lease the premises to us or Dongguan Leoch Power Supply

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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terminates the licence to use the industrial building granted to us, we would be able to find suitable alternative premises from third parties in the same district without undue delay or inconvenience.

### *Financial Independence*

We have our own financial management system, internal controls and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and the ability to operate independently from our Controlling Shareholders from a financial perspective. All guarantees or financial assistance provided by our Controlling Shareholders to us for the benefits of our Group have been released as of the Latest Practicable Date.

Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Having considered the above reasons, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders (including any associate thereof) after the Listing.

None of the Controlling Shareholders is interested in any business, other than that of the Group, which competes or is likely to compete, either directly or indirectly, with the Restricted Business (as defined in the sub-section headed “Non-competition Undertakings” below) and which requires disclosure pursuant to Rule 8.10(1) of the Listing Rules.

### **NON-COMPETITION UNDERTAKINGS**

Each of our Controlling Shareholders has confirmed that other than their interest in our Group, none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with our business. In accordance with the non-competition undertakings set out in the deed of non-competition dated October 21, 2010, each of our Controlling Shareholders has undertaken to our Company (for itself and on behalf of its subsidiaries) that during the period commencing from the Listing Date and ending on the occurrence of the earliest of (i) the day on which our Shares cease to be listed on the Stock Exchange or other recognized stock exchange; (ii) the day on which the Controlling Shareholders cease to be interested in at least 30% of the entire issued share capital of our Company; or (iii) the day on which the Controlling Shareholders beneficially own or are interested in the entire issued share capital of our Company:

- he/it will not and will procure that none of his/its associates will, except through his/its interests in our Company, whether as principal or agent and whether undertaken directly or indirectly through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate in, acquire or hold any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which is in any respect in competition with or similar to or is likely to be in competition with our business as described in this prospectus including, but not limited to, the manufacturing and sale of lead-acid batteries and any other business from time to time conducted by any member of our Group or in which any member of our Group is engaged or has invested or which our Group has otherwise publicly announced its intention to enter into, engage in or invest in, within any of the territories where our Group carries on business from time to time (“Restricted Business”).

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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- if they and/or any of their respective associates is offered or becomes aware of any business opportunity directly or indirectly to engage or become interested in a Restricted Business, he/it:
  - (a) will promptly notify our Company in writing and refer such business opportunity to our Company for consideration and provide such information as may be reasonably required by our Company in order to make an informed assessment of such business opportunity; and
  - (b) will not, and procure that their respective associates will not, invest or participate in any project or business opportunity unless such project or business opportunity shall have been rejected by our Company and the principal terms of which the Controlling Shareholders or their respective associates invest or participate are no more favorable than those made available to our Company.

Our Controlling Shareholders further undertake to our Company that they will not and will procure that none of their respective associates will:

- (a) at any time induce or attempt to induce any director, manager, employee or consultant of any member of our Group to terminate his or her employment or consultancy (as appropriate) with our Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as appropriate);
- (b) at any time employ any person who has been a director, manager, employee of or consultant to any member of our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; or
- (c) alone or jointly with any other person, or as manager, advisor, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, or solicit or accept orders from or do business with any person with whom any member of our Group has done business or solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

The decision-making process in relation to the deed of non-competition will be governed and monitored as follows:

- Our independent non-executive Directors will be responsible for deciding, without attendance by any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information but in no circumstances shall the executive Director(s) participating in such meeting be counted towards the quorum or allowed to vote on such meeting), whether or not to take up a new business opportunity referred to us under the terms of the deed of non-competition.
- Our independent non-executive Directors may employ an independent financial advisor as they consider necessary to advise them on the terms of any such new business opportunity or the options.
- Our Controlling Shareholders will undertake to keep us informed of new business opportunities and to provide all information reasonably required by the independent non-executive Directors to assist them in their consideration of any new business opportunity.



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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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- Our independent non-executive Directors will also review, on an annual basis, any decisions in relation to new business opportunities referred to us, and state their views with basis and reasons in our annual report.

In the event that we decide not to proceed with any particular projects or business opportunities and our Controlling Shareholders or their respective associates decides to proceed with such a project or business opportunity, we will announce such decision by way of an announcement setting out therein the basis for us not taking the project or the business opportunity.

### CORPORATE GOVERNANCE MEASURES

We will adopt the following measures to ensure good corporate governance practices and to improve transparency after the Listing:

- (i) the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertakings under the deed of non-competition by our Controlling Shareholders, the options, pre-emptive rights or first rights of refusals provided by our Controlling Shareholders on their existing or future competing businesses;
- (ii) our Controlling Shareholders undertake to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the non-competition undertakings under the deed of non-competition;
- (iii) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the non-competition undertakings under the deed of non-competition in our annual reports; and
- (iv) our Controlling Shareholders will make an annual confirmation on their compliance with the non-competition undertakings under the deed of non-competition in our annual reports.

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## CONNECTED TRANSACTIONS

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### DE MINIMIS TRANSACTIONS

#### *Licence to Use a Building Pending Issuance of Real Estate Title Certificate*

Mr. Dong owns a 60% equity interest in Dongguan Leoch Power Supply, which makes Dongguan Leoch Power Supply a connected party of our Company. Dongguan Leoch entered into a purchase agreement dated June 30, 2010 with Dongguan Leoch Power Supply pursuant to which Dongguan Leoch Power Supply agreed to sell and Dongguan Leoch agreed to purchase certain buildings with an aggregate GFA of approximately 10,000 sq.m. constructed by Dongguan Leoch Power Supply on a piece of land owned by Dongguan Leoch in Dongguan, PRC. Under the purchase agreement, the amount of consideration payable by Dongguan Leoch is to be determined by an independent valuation expert at the time of issue of a real estate title certificate in respect of the buildings, and is only due and payable after the issue of such certificate by the relevant government authorities to Dongguan Leoch. The transaction regarding the acquisition of the buildings pursuant to the purchase agreement will be subject to applicable provisions in relation to connected transactions of the Listing Rules upon issuance of the real estate title certificate and finalization of the consideration for the purchase. Where applicable, we will apply for a separate waiver for relevant connected transactions pursuant to applicable provisions under Chapter 14A of the Listing Rules. Pending the issue of the real estate title certificate, Dongguan Leoch Power Supply has granted to Dongguan Leoch a license to use the buildings at nil consideration. The purchase agreement further provides that if the local government orders the demolition of the buildings before the issue of the real estate title certificate, Dongguan Leoch Power Supply will compensate Dongguan Leoch for all costs and expenses relating to the demolition of the buildings and the costs of relocating Dongguan Leoch's manufacturing plant.

As all of the percentage ratios used to calculate the threshold for continuing connected transactions under the Listing Rules for the above transaction are less than 0.1% on an annual basis, these constitute de minimis connected transactions of our Company and are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements according to Rule 14A.33(3) of the Listing Rules.

### CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT, BUT SUBJECT TO THE REPORTING, ANNOUNCEMENT AND ANNUAL REVIEW REQUIREMENTS

#### *Leases with Mr. Dong and his Associates*

We have entered into the following leases (the "Leases") with Mr. Dong and his associates:

*Lease of Units E8, E9, E148 and E149 of the Main Building of Xin Bao Hui Building, No. 2061 Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC*

Shenzhen Marshall Power Supply is wholly owned by Mr. Dong and thus a connected person of our Company. Shenzhen Leoch Battery has entered into a tenancy agreement dated September 1, 2010 with Shenzhen Marshall Power Supply pursuant to which Shenzhen Marshall Power Supply agreed to let their property with a total GFA of 42.72 sq.m. located at Units E8, E9, E148 and E149 of the main building of Xin Bao Hui Building located at No. 2061, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC to Shenzhen Leoch Battery for a term commencing from September 1, 2010 and expiring on August 31, 2012 at a monthly rent of RMB2,136, exclusive of management fees, water and electricity charges. Jones Lang LaSalle Sallmanns Limited, our independent property valuer, has reviewed the terms of the tenancy agreement and confirmed that the rent payable by us is consistent with the prevailing market rates for similar premises in similar locations in the PRC.

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## CONNECTED TRANSACTIONS

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*Lease of Units E1-E4, E6, E7, E14-E63, E72-E112, E116-E135 and E138-E145 of the main building of Xin Bao Hui Building, No.2061, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC*

Shenzhen Marshell Power Supply is wholly owned by Mr. Dong and thus a connected person of our Company. Shenzhen Leoch has entered into a tenancy agreement dated September 1, 2010 with Shenzhen Marshell Power Supply pursuant to which Shenzhen Marshell Power Supply agreed to let their property with a total GFA of 1,107.88 sq.m. at Units E1-E4, E6, E7, E14-E63, E72-E112, E116-E135 and E138-E145 of the main building of Xin Bao Hui Building located at No.2061, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC to Shenzhen Leoch for a term commencing from September 1, 2010 and expiring on August 31, 2012 at a monthly rent of RMB55,394, inclusive of management fees, water and electricity charges. Jones Lang LaSalle Sallmans Limited, our independent property valuer, has reviewed the terms of the tenancy agreement and confirmed that the rent payable by us is consistent with the prevailing market rates for similar premises in similar locations in the PRC.

*Lease of Portion of Unit 901 on Level 9 of Tianzheng International Plaza, No.399 Zhongyang Road, Nanjing City, Jiangsu Province, the PRC*

Nanjing Leoch has entered into a tenancy agreement dated January 1, 2010 which was supplemented by a supplemental tenancy agreement dated October 5, 2010 with Mr. Dong pursuant to which Mr. Dong agreed to let his property with a lettable area of 128 sq.m. located at Unit 901 on Level 9 of Tianzheng International Plaza, No.399 Zhongyang Road, Nanjing City, Jiangsu Province, the PRC to Nanjing Leoch for a term of three years commencing from January 1, 2010 and expiring on December 31, 2012 at an annual rent of RMB72,000, exclusive of management fees, water and electricity charges and other outgoings. Jones Lang LaSalle Sallmans Limited, our independent property valuer, has reviewed the terms of the tenancy agreement and confirmed that the rent payable by us is consistent with the prevailing market rates for similar premises in similar locations in the PRC.

*Lease of an Office Unit on Level 19 of an Office Building Located at 14 Kitchener Link, No. 19-29, Singapore*

Leoch Battery Pte has entered into a tenancy agreement dated March 1, 2010 with Mr. Dong pursuant to which Mr. Dong agreed to let an office unit with a floor area of 113 sq.m. on Level 19 of an office building located at 14 Kitchener Link, No. 19-29, Singapore to Leoch Battery Pte for a term of three year commencing from March 10, 2010 and expiring on March 10, 2013 at a monthly rent of SG\$3,250 (equivalent to approximately RMB16,380). Jones Lang LaSalle Sallmans Limited, our independent property valuer, has reviewed the terms of the tenancy agreement and confirmed that the rent payable by us is consistent with the prevailing market rates for similar premises in similar locations in Singapore.

*Lease of a Building Located at 19751 Descartes Foothill Ranchs, County of Orange, State of California, the United States*

Eastern International LLC is wholly owned by Peng Hui, the spouse of Mr. Dong, and thus a connected person of our Company. Leoch Battery Corp has entered into a tenancy agreement dated May 1, 2006, which was supplemented by a supplemental tenancy agreement dated October 5, 2010 where the lease term became effective from January 1, 2010 and will expire on December 31, 2012, pursuant to which Eastern International LLC agreed to let its property with a total GFA of 30,000 sq.ft. (or 2,787.07 sq.m.) located at 19751 Descartes Foothill Ranch, County of Orange, State of California, the United States to Leoch Battery Corp at a monthly rent of US\$35,000, exclusive of security deposit, association fees and other outgoings. Pursuant to a lease addendum in relation to rent adjustment, the monthly rent was decreased to US\$30,000 commencing from August 1, 2008. Jones Lang LaSalle Sallmans Limited, our independent property valuer, has reviewed the terms of the tenancy agreement and confirmed that the rent payable by us is consistent with the prevailing market rates for similar premises in similar locations in the United States.

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## CONNECTED TRANSACTIONS

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### **Historical Figures**

For each of the three years ended December 31, 2009 and the six months ended June 30, 2010, the rental expenses paid to the connected persons with respect to the above properties were approximately RMB4.0 million, RMB3.6 million, RMB3.3 million and RMB1.7 million, respectively.

### **Annual Caps**

Based on the current rentals payable under the Leases and taking into account possible fluctuations in exchange rates, the annual caps for the rental expenses in connection with the Leases for the three years ending December 31, 2012 have been set at RMB3.0 million, RMB3.5 million and RMB3.3 million, respectively.

### ***Sales of Products to Connected Persons***

Certain sales transactions have been entered into between us and the companies in which Mr. Dong has a controlling interest (“Mr. Dong’s Associates”) during the Track Record Period and are expected to continue following the Listing. Mr. Dong’s Associates, with which we will continue to have sales transactions, are (i) Shenzhen Marshall Green Power, (ii) Shanghai Donmin Vehicle Co., Ltd., and (iii) Shenzhen Marxon Power Supply Co., Ltd. To the best knowledge of our Directors, the products we sold to Mr. Dong’s Associates are consumed by them in their production and not resold to other customers. For details of the principal businesses of Mr. Dong’s Associates, please refer to “Relationship with the Controlling Shareholders—Excluded Business” in this prospectus. As each of these companies is an associate of Mr. Dong, an executive Director and a Controlling Shareholder, and therefore a connected person of our Company, these transactions will constitute continuing connected transactions of our Company upon Listing.

### **Description of Transactions and the Major Terms**

Our Company entered into a master agreement with Mr. Dong dated August 1, 2010 (the “Master Sales Agreement”) which sets out the terms and conditions upon which members of our Group will sell to Mr. Dong’s Associates, and Mr. Dong’s Associates will purchase from members of our Group, products including lead-acid batteries, mainly motive power batteries, and related parts.

It is envisaged that from time to time and as required, the members of our Group will enter into individual sale and purchase agreements with Mr. Dong’s Associates. Such individual sale and purchase agreements are expected to contain more detailed terms of the sale and purchase and provisions which reflect the binding principles, guidelines, terms and conditions in the Master Sales Agreement.

### **Price Determination**

The products to be sold and purchased under the Master Sales Agreement shall be at the prevailing market price, namely, the price at which the same type of products is sold by us to independent third parties on normal commercial terms in the ordinary course of business in the PRC.

### **Term**

The Master Sales Agreement is for a term of three years commencing from January 1, 2010. Upon expiry of the term, the Master Sales Agreement will, subject to the requirements of the Listing Rules, be renewed for a further period of three years by mutual agreement.

### **Historical Figures**

For each of the three years ended December 31, 2009 and the six months ended June 30, 2010, the total transaction amount for the sales of products to Mr. Dong’s Associates was approximately RMB9.3 million, RMB14.0 million, RMB15.1 million and RMB12.6 million, respectively.

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## CONNECTED TRANSACTIONS

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### **Annual Caps**

The annual caps for the sales transactions under the Master Sales Agreement for the three years ending December 31, 2012 have been set at RMB38.0 million, RMB46.0 million and RMB54.0 million, respectively. The expected increase in transaction volume is a result of our motive power batteries gradually replacing the imported battery products currently consumed by Mr. Dong's Associates given the substantial improvement in the recharge cycle and energy density achieved by June 2010 and our cost advantage, and the business growth of Mr. Dong's Associates fuelled by increasing market demand, leading to further sales orders placed with us by Mr. Dong's Associates. As of August 31, 2010, the sales orders from Mr. Dong's Associates to be fulfilled in the four months ending December 31, 2010 amounted to an aggregate of RMB15.7 million.

As one or more than one of the percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules will on an annual basis be more than 0.1% but less than 5%, the Leases and the transactions contemplated under the Master Sales Agreement will constitute continuing connected transactions of the Company exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules and would require compliance with the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules.

### **CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNOUNCEMENT, ANNUAL REVIEW REQUIREMENTS AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS**

#### *Purchases of Products from Connected Persons*

Certain purchase transactions have been entered into between us and Mr. Dong's Associates during the Track Record Period and are expected to be continued following the Listing. Mr. Dong's Associates, with which we will continue to have purchase transactions, are (i) Shenzhen Marshall Green Power, (ii) Shanghai Donmin Vehicle Co., Ltd. and (iii) Shenzhen Marxon Power Supply Co., Ltd. As each of these companies is an associate of Mr. Dong, an executive Director and our Controlling Shareholder, and thus a connected person of our Company, these transactions will constitute continuing connected transactions of our Company upon Listing.

#### **Description of Transactions and the Major Terms**

Our Company entered into a master agreement dated August 1, 2010 with Mr. Dong (the "Master Purchase Agreement") which sets out the terms and conditions upon which members of our Group will purchase from Mr. Dong's Associates, and Mr. Dong's Associates will sell to members of our Group, products including battery cases, parts, models, chargers and electronic products (for the manufacturing of our battery products or sale as accessories of our battery products) and electric scooters (for use by members of our Group).

It is envisaged that from time to time and as required, the members of our Group will enter into individual sale and purchase agreements with Mr. Dong's Associates. Such individual sale and purchase agreements are expected to contain more detailed terms of the sale and purchase and provisions which reflect the binding principles, guidelines, terms and conditions in the Master Purchase Agreement.

#### **Price Determination**

The products to be sold and purchased under the Master Purchase Agreement shall be at the prevailing market price, namely, the price at which the same type of products is sold to us by independent third parties on normal commercial terms in the ordinary course of business in the PRC.

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## CONNECTED TRANSACTIONS

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### **Term**

The Master Purchase Agreement is for a term of three years commencing from January 1, 2010. Upon expiry of the term, the Master Purchase Agreement will, subject to the requirements of the Listing Rules, be renewed for further period of three years by mutual agreement.

### **Historical Figures**

For each of the three years ended December 31, 2009 and the six months ended June 30, 2010, our expenditure for purchasing products from Mr. Dong's Associates was approximately RMB57.5 million, RMB47.2 million, RMB37.5 million and RMB27.6 million, respectively. During the three years ended December 31, 2009, our purchase from Mr. Dong's Associates decreased because as Jiangsu and Anhui production facilities were gradually commissioned in 2008 and 2009, they had surplus capacity to produce products, such as battery cases and parts, for use by our other production facilities, thus reducing the need to purchase those products from third parties. The purchase increased, however, in the six months ended June 30, 2010 because as battery production at Jiangsu and Anhui production facilities increased, they no longer have excess capacity to support the other production facilities and we again sourced those products from Mr. Dong's Associates.

### **Annual Caps**

Taking into consideration our results for the first half of 2010, and the expected stable transaction volume with Mr. Dong's Associates, the annual caps for the transactions under the Master Purchase Agreement for the three years ending December 31, 2012 have been set at RMB60.0 million, RMB60.0 million and RMB60.0 million, respectively. The annual caps are fixed for the three years ending December 31, 2012 because Mr. Dong's Associates utilize their surplus capacities to produce the products we purchase, and, based on our Directors' understanding, such surplus capacities will not exceed RMB60.0 million.

As one or more than one of the percentage ratios (other than the profits ratio) is/are on an annual basis not less than 5%, the transactions contemplated under the Master Purchase Agreement will constitute non-exempt continuing connected transactions of our Company under Rule 14A.35 of the Listing Rules and would require compliance with the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules, and the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

### **WAIVERS**

Pursuant to Rule 14A.42(3) of the Listing Rules, we have applied to the Stock Exchange for, and was granted, waivers with respect to the above non-exempt continuing connected transactions. For our continuing connected transactions exempt from independent shareholders' approval requirement, but subject to reporting, announcement and annual review requirements, waivers are applied for the announcement requirements pursuant to Rule 14A.42(3) of the Listing Rules. For our continuing connected transactions subject to the reporting, announcement, annual review and independent Shareholders' approval requirements, waivers are applied for the announcement and the independent shareholders' approval requirements pursuant to Rule 14A.42(3) of the Listing Rules.

### **CONFIRMATION FROM OUR DIRECTORS**

Our Directors (including our independent non-executive Directors) are of the opinion that (i) the continuing connected transactions described above for which waivers are sought have been entered into in the ordinary and usual course of business of our Company, on normal commercial terms, are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (ii) the proposed annual caps for such continuing connected transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

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## CONNECTED TRANSACTIONS

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### CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that (i) the continuing connected transactions described above for which waivers are sought have been entered into in the ordinary and usual course of business of our Company, on normal commercial terms, are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (ii) the proposed annual caps for such continuing connected transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

## SHARE CAPITAL

### AUTHORIZED SHARE CAPITAL

HK\$

10,000,000,000 Shares 1,000,000,000

### SHARE CAPITAL UPON COMPLETION OF THE GLOBAL OFFERING

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the Global Offering will be as follows:

Shares issued or to be issued, fully paid or credited as fully paid:

Number of Shares	Description of Shares	Aggregate nominal value of shares HK\$	Approximate percentage of issued share capital
1	Share in issue as of the date of this prospectus	0.1	0.00000075%
999,999,999	Shares to be issued pursuant to the Capitalization Issue <sup>(1)</sup>	99,999,999.9	75%
33,334,000	Shares to be issued under the Public Offer	3,333,400	2.5%
<u>300,000,000</u>	Shares to be issued under the International Offering	<u>30,000,000</u>	<u>22.5%</u>
<u>1,333,334,000</u>	Total	<u>133,333,400</u>	<u>100.0%</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be as follows:

Shares issued or to be issued, fully paid or credited as fully paid:

Number of Shares	Description of Shares	Aggregate nominal value of shares HK\$	Approximate percentage of issued share capital
1	Share in issue as of the date of this prospectus	0.1	0.00000072%
999,999,999	Shares to be issued pursuant to the Capitalization Issue <sup>(1)</sup>	99,999,999.9	72.3%
33,334,000	Shares to be issued under the Public Offer	3,333,400	2.4%
<u>350,000,000</u>	Shares to be issued under the International Offering <sup>(2)</sup>	<u>35,000,000</u>	<u>25.3%</u>
<u>1,383,334,000</u>	Total	<u>138,333,400</u>	<u>100.0%</u>

*Notes:*

- (1) Pursuant to the resolutions passed by our sole Shareholder on October 14, 2010, conditional upon the share premium account of our Company being credited as a result of the Global Offering, the Directors were authorized to capitalize an aggregate amount of HK\$99,999,999.9 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 999,999,999 Shares for allotment and issue to our sole Shareholder as of the date of the resolutions.
- (2) Including 50,000,000 Shares pursuant to the exercise in full of the Over-allotment Option.

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, we must maintain the “minimum prescribed percentage” of 25% of our issued share capital in the hands of the public.



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## SHARE CAPITAL

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### ASSUMPTION

The above tables assume that the Global Offering and the Capitalization Issue become unconditional and issue of Shares is made pursuant thereto. They do not take into account any Shares which may be allotted and issued pursuant to the exercise of the options which are granted under the Pre-IPO Share Option Scheme or any option which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to the Directors to allot and issue or repurchase Shares referred to in the paragraph headed “General Mandate to Issue Shares” or the paragraph headed “General Mandate to Repurchase Shares” below, as the case may be.

### RANKING

The Offer Shares and the Shares that may be issued pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme rank pari passu with all existing Shares in issue on the date of the allotment and issue of such shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus.

### THE PRE-IPO SHARE OPTION SCHEME AND THE SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. Under the Pre-IPO Share Option Scheme, certain persons were conditionally granted options immediately prior to the Listing Date to subscribe for Shares. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are summarized in the sections headed “Pre-IPO Share Option Scheme” and “Share Option Scheme” respectively in Appendix VII to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

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

- (a) 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 the Shares which may be issued under the Over-allotment Option, Shares which may be allotted and issued upon the exercise of options which have been granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of share capital of our Company repurchased by our Company (if any).

Such mandate will expire:

- (i) at the conclusion of the next annual general meeting of our Company; or
- (ii) at the end of the period within which the next annual general meeting of our Company is required to be held by the Articles, the Companies Law or other applicable laws of the Cayman Islands; or
- (iii) when revoked or varied by ordinary resolution of the Shareholders at a general meeting of our Company,

whichever occurs first.

For further details of this general mandate, please refer to the paragraph headed “Written resolutions of the sole Shareholder of our Company passed on October 14, 2010” in Appendix VII to this prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO REPURCHASE SHARES

Assuming the Global Offering becomes unconditional, the Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue following the completion of the Global Offering and the Capitalization Issue (excluding the Shares which may be issued under the Over-allotment Option, Shares which may be allotted and issued upon the exercise of options which have been granted under the Pre-IPO Share Option Scheme and options to be granted under the Share Option Scheme).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will expire:

- (i) at the conclusion of the next annual general meeting of our Company; or
- (ii) at the end of the period within which the next annual general meeting of our Company is required to be held by the Articles, the Companies Law or other applicable laws of the Cayman Islands; or
- (iii) when revoked or varied by ordinary resolution of the Shareholders at a general meeting of our Company,

which ever occurs first.

For further details of this general mandate, please refer to the paragraph headed “Written resolutions of the sole Shareholder of our Company passed on October 14, 2010” in Appendix VII to this prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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So far as our Directors are aware, immediately following completion of the Global Offering, the Capitalization Issue (taking no account of any Shares which fall to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Pre-Share Option Scheme and the Share Option Scheme), the following persons will exercise, or control the exercise of, 10% or more of the voting power at general meetings of our Company:

<u>Name</u>	<u>Nature of Interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Mr. Dong .....	Interest of a controlled corporation <sup>(1)</sup>	1,000,000,000	75%
Master Alliance .....	Beneficial owner <sup>(1)</sup>	1,000,000,000	75%

*Note:*

(1) Master Alliance holds the 1,000,000,000 Shares directly. Mr. Dong holds the 1,000,000,000 Shares indirectly through his 100% interest in Master Alliance.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the Global Offering, exercise, or control the exercise of, 10% or more of the voting power at general meetings of our Company or our subsidiaries.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis in conjunction with our consolidated financial information, including the accompanying notes thereto, set out in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS. The following discussion and analysis also contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the factors set forth in the section titled “Risk Factors” elsewhere in this prospectus.*

### OVERVIEW

We are a leading manufacturer and developer of lead-acid batteries in China with a proven track record of robust growth. With more than 1,500 models of reserve power batteries, SLI batteries and motive power batteries, and battery products ranging in capacity from 0.251 Ah to 4,025 Ah, we offer one of the broadest lines of lead-acid batteries among Chinese battery manufacturers. Our products are used by a growing number of domestic and international customers in various applications, including telecommunications systems, UPS, automobiles, motorcycles and other vehicles, renewable energy systems, and other consumer and industrial products. We possess substantial technical expertise and strong research and development capabilities and have successfully implemented most lead-acid battery technologies, including advanced tubular gel VRLA and TPPL VRLA technologies, into production. Led by a diverse core management team with significant experience in the battery industry, our global sales operation provides us with an understanding of the different geographic markets, our client base and their operational needs. Our stringent quality control system and comprehensive after-sale services have also contributed to our earning the trust of leading lead-acid battery consumers, including major China-based telecommunications companies such as China Unicom, China Mobile and China Telecom, and international companies such as Mattel, BMW and Jaguar.

Our revenue primarily derives from our sale of reserve power batteries, which contributed 89.9% and 86.9% of our total revenue in 2009 and the six months ended June 30, 2010, respectively. Our domestic and international sales accounted for 44.9% and 55.1%, respectively, of our total revenue in 2009 and 38.3% and 61.7% of total revenue in the six months ended June 30, 2010, respectively. The majority of our sales in the domestic market in China was to UPS and telecommunications customers, who together accounted for 82.3%, 88.0%, 87.8% and 82.4% of our total sales in the domestic market in the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. In the international market, OEM customers accounted for 92.4%, 87.5%, 89.2% and 90.2% of our international sales in the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. We anticipate that the revenue derived from these major customers will continue to represent a significant portion of our total revenue in the future.

During the Track Record Period, our revenue increased from RMB1,129.1 million for the year ended December 31, 2007 to RMB1,499.0 million for the year ended December 31, 2008, but then decreased to RMB1,391.5 million for the year ended December 31, 2009. Our revenue increased from RMB600.6 million for the six months ended June 30, 2009 to RMB944.4 million for the six months ended June 30, 2010. Our profit grew from RMB51.6 million for the year ended December 31, 2007 to RMB74.8 million for the year ended December 31, 2008 and to RMB145.3 million for the year ended December 31, 2009, and from RMB58.2 million for the six months ended June 30, 2009 to RMB127.0 million for the six months ended June 30, 2010. We attribute such growth to increasing sales of higher profit-margin products, a broadening range of high quality products employing a variety of technologies, our extensive sales network, our strong and growing research and development capabilities and our experienced management.

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## FINANCIAL INFORMATION

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### FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including those set out below.

#### *Demand for lead-acid batteries in high-growth sectors in China and other emerging markets*

Our sales revenue generated from the domestic market in China grew from RMB421.8 million in 2007 to RMB625.4 million in 2009, and from RMB269.2 million in the first half of 2009 to RMB361.8 million in the first half of 2010. Our ability to continue to grow our revenue in China will be driven by the development of high-growth sectors, such as telecommunications, automobiles and motorcycles, and renewable energy. In addition, sales to other emerging markets in Asia and elsewhere expanded significantly in the six months ended June 30, 2010, particularly in the UPS and telecommunications sectors, and are expected to continue to be an important source of revenue growth.

The conversion to 3G networks by telecommunications companies in China has driven the demand for our reserve power batteries in recent years. Although we expect that the development of 3G infrastructure is nearing completion in China's largest cities, we believe that the continuing roll out of 3G infrastructure in second and third tier cities and more rural areas will continue to drive demand for our battery products by telecommunications companies in the foreseeable future.

In the automobile industry, China is now the largest producer of automobiles and the largest automobile market in the world. China is also the world's largest producer and consumer of motorcycles. We expect the demand for automobiles and motorcycles to continue to grow as the income level rises in China. The rapid growth of China's automobile and motorcycle industries has created a large market with significant growth potential for our SLI batteries. Further, we expect a significant secondary market for our SLI products to develop as automobile and motorcycle batteries require periodic replacement.

Finally, the increasing focus in China and globally on the development of renewable sources of energy could present significant opportunities for us to increase our sale of our reserve power batteries for renewable energy applications. In particular, we are targeting wind and solar power farms with our batteries, and hope to benefit as China's development of these sources of energy increases in future periods.

Moreover, we also plan to focus on the anticipated growth in various emerging markets, particularly India, Turkey and South Korea, as a driver for our sales and revenue. We expect sales to the UPS and telecommunications industries in those countries to continue to grow, as evidenced by the increased sales to these countries in the first half of 2010.

Each of these markets could create opportunities for us to continue growing our revenue. However, there could be development in any of these markets that cause demand to be less than we anticipate.

#### *Ability to develop and manufacture new products*

Our ability to keep pace with technological developments will be an important factor in maintaining our competitiveness, especially in the international market. We plan to aggressively focus on the development of new products that use advanced technologies. We have already begun the production of tubular gel VRLA batteries and expect to begin trial production of TPPL VRLA batteries in the fourth quarter of 2010 that target the renewable energy and telecommunications industries. Our research and development team is also focusing on the development of spiral pure lead batteries for use in vehicles. There is, however, no assurance that these new products or our research and development efforts will be successful. If we cannot successfully implement new technologies into production or achieve market acceptance for new products, our results of operations and future prospects may be adversely affected. Our future growth depends on our ability to continue to develop and manufacture technologically advanced products to meet the changing needs of our customers.

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## FINANCIAL INFORMATION

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### *Pursuing capacity expansion while maintaining high utilization rate*

Our results of operations have been and are expected to continue to be affected by our production capacity. We have historically operated our production facilities at a high utilization rate and our growth has in part been limited by our capacity. During the Track Record Period, we expanded our aggregate annual production capacity from 2.0 million KVAh as of December 31, 2007 to 5.1 million KVAh as of June 30, 2010 by adding two new production facilities in Zhaoqing and Anhui and four additional production lines at our other production facilities. We have received the title certificate and been granted land use rights for a parcel of land with a site area of approximately 20,354 sq.m. next to our Anhui production facility. We have also signed letters of intent to purchase a parcel of land with a site area of approximately 85,228 sq.m. near our Zhaoqing production facility and a parcel of land with a site area of approximately 269,333 sq.m. near our Anhui production facility. We plan to use these land parcels to expand our production capacity. We believe that successful implementation of our planned capacity expansion will impact our future sales volumes, revenue and profits, and enable us to increase our market share.

However, the addition of new production capacity will require an increase in our sales volume and production volume, which in turn will require corresponding expansion of our supporting infrastructure, most importantly further development of our sales and marketing team, and the expansion of our customer base. We must develop sufficient market share to maintain our high utilization rates in order to make these expansion plans profitable. During the year ended December 31, 2009 and the six months ended June 30, 2010, the average utilization rate of our five production facilities was approximately 89.7% and 92.7%, respectively. Our ability to expand our production facilities while maintaining our high utilization rate will continue to be a key factor to our success.

### *Cost of production*

The global lead-acid battery market is competitive, and our ability to continue to grow our market position will depend on our effective management of our production costs, including raw materials and labor. The primary raw material used in our production is lead, which constituted approximately 60.8%, 61.8%, 56.6% and 62.4% of our cost of sales in 2007, 2008 and 2009 and in the six months ended June 30, 2010, respectively. The price of lead has fluctuated significantly in recent years and our average cost of lead per ton was RMB14.6 thousand per ton in 2007, RMB16.0 thousand per ton in 2008, RMB11.2 thousand per ton in 2009 and RMB12.9 thousand per ton in the six months ended June 30, 2010. We are thus exposed to the risk of changes in the price of lead and to the extent we cannot fully pass on price increases to our customers, our business operations and financial performance could be affected. We have, however, been able to mitigate the risk in the fluctuation of the price of lead through inclusion of pricing mechanisms in certain of our supply and sales contracts. Through these mechanisms, the price of our lead supply and of our products is adjusted if the lead price published on the Shanghai Metals Market fluctuates beyond a certain range. We believe the impact of the fluctuation in the prices of the raw materials on our business will be limited if we can continue employing the pricing mechanism in our contracts. However, not all of our contracts have this mechanism, and even for those that do, there is usually a threshold for adjustment as well as a time difference between the pricing and the actual purchase of lead used, and the mechanism cannot protect us fully from all fluctuations in lead pricing. For example, based on our actual cost of production and volume of batteries sold, and assuming the fluctuation in the price of lead can be fully passed on to our customers, a decrease in the price of lead by 10% during 2009 versus our actual cost of lead would have resulted in an increase in our gross profit margin of 0.96%, and an increase in the price of lead by 10% versus our actual cost of lead would have resulted in a decrease to our gross profit margin of 0.88%. Therefore while the price of lead decreased throughout most of 2009 and our product price and revenue were lower, our profit margin actually increased.

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## FINANCIAL INFORMATION

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We also work to reduce the overall production cost by pursuing vertical integration and automation. We carry out all the steps in the battery-manufacturing processes in house, including the production of certain components. This has allowed us to reduce cost by not incurring significant third parties service costs. To further control our costs, we have centralized our sales and marketing, procurement, production planning, and logistics systems across our five production facilities in China. We also continue to implement automation in various stages of the production processes. We believe automation will help to minimize labor and associated costs and increase the efficiency of our production processes.

### *Product mix*

Our results of operations have been and are expected to be substantially affected by the types of products we sell and our product mix. The continued growth in our profit during the Track Record Period, despite the decline in our revenue in the year ended December 31, 2009, was principally due to an increase in the sale of batteries to telecommunications customers, as well as increases in the sale of renewable energy and SLI batteries. While sales to UPS customers remained significant, we experienced a decline in UPS sales in the year ended December 31, 2009 as the global financial crisis negatively affected the export market, in which our UPS sales are concentrated. As telecommunications and renewable energy storage batteries generally have a higher profit margin, and despite that telecommunications customers, under common industry practice, have a longer credit period, they have been and will continue to be key drivers in our growth. Our ability to increase the sales of these and other high-margin products, and to develop new technologies for these applications, such as tubular gel and TPPL VRLA technologies, will be an important factor in our success.

Furthermore, offering a broad range of products will allow us to tap into new markets and diversify our income stream to better mitigate the impact of cyclicity in any particular industry. By offering more than 1,500 models of lead-acid batteries employing various technologies, we can attract new customers, better meet the continuously evolving needs of our existing customers, and reduce customers' need to deal with multiple battery manufacturers.

### *Ability to maintain product quality and reputation*

Product quality and reputation are important in lead-acid battery customers' purchasing decisions. As many of our products are used in emergency situations, the quality and performance of our products are vitally important factors in enabling us to build our reputation among leading companies and expand our customer base. Our results of operations, future prospects and reputation may be materially and adversely affected if our products experience significant failures or defects. We therefore must continue to diligently ensure the quality and consistency of our products through stringent quality control measures. Moreover, we believe maintaining close contacts with our customers will give us an opportunity to identify and address any potential issues before they cause an adverse effect.

### *Level of income tax and preferential tax treatment*

Our profit attributable to equity holders is affected by the level of income tax that we pay and the preferential tax treatment to which we are entitled. Pursuant to relevant laws and regulations in the PRC, our effective tax rate was 4.2%, 14.7%, 9.1% and 15.3% for the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010, respectively, which was considerably lower than the standard enterprise income tax rate of 25%. Unless our PRC subsidiaries qualify for other preferential tax benefits after these benefits expire, it is possible that the standard 25% EIT rate could apply to some or all of our operations in future periods. The change in the applicable corporate income tax rate upon the expiration of preferential tax treatment could have a negative impact on the amount of taxes we pay and consequently have a material adverse impact on our results of operations and financial condition.

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## FINANCIAL INFORMATION

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### BASIS OF PRESENTATION

Pursuant to the Reorganization, the Company became the holding company of the companies now comprising the Group on June 8, 2010. Since the Company and the companies now comprising the Group were under common control of Mr. Dong both before and after the completion of the Reorganization, the Reorganization has been accounted for using merger accounting.

The financial information in this prospectus has been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group. The financial information presents the consolidated results, cash flows and financial position of the companies comprising the Group as if the group structure had been in existence at the beginning of the Track Record Period, or since the companies' respective date of incorporate or establishment, where there is a shorter period.

The financial information has been prepared in accordance with IFRS which comprise standards and interpretations approved by the IASB that are applicable to the Track Record Period and the disclosure requirements of the Companies Ordinance. For the purpose of preparing and presenting the financial information for inclusion in this prospectus, the Group has early adopted and applied throughout the Track Record Period all IFRS that are applicable to the accounting period beginning on January 1, 2010, that are relevant to the Group's operations, except for IFRS 3 (Revised), which has been applied for business combination for which the acquisition date is on or after January 1, 2010, and IAS 27 (Revised) which has been applied for accounting period beginning on January 1, 2010.

The financial information has been prepared under the historical cost convention. The financial information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

### CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that require management to exercise judgment and make estimates that yield materially different results if management were to apply different assumptions or make different estimates. Our financial statements have been prepared in accordance with IFRS. Our principal accounting policies are set forth in Note 3.2 to Accountants' Report, attached as Appendix I to this prospectus. IFRS requires that we adopt accounting policies and make estimates that we believe are most appropriate in the circumstances for the purpose of giving a true and fair view of our results and financial condition. We believe the most complex and sensitive judgments, because of their significant to our operations and financial conditions, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas could differ from our estimates. The critical accounting policies are described below.

#### *Revenue Recognition*

We recognize revenue to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding other sales taxes or duties.

The following specific recognition criteria must also be met before revenue is recognized:

*Sale of goods.* We recognize revenue from the sale of goods when the significant risks and rewards of ownership have been transferred and the title has been passed to the buyer and the amount of revenue can be measured reliably provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

*Interest income.* Interest income is recognized on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

*Rental income.* Rental income is recognized on a time proportion basis over the lease terms.



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## FINANCIAL INFORMATION

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### *Impairment of Non-financial Assets Other than Goodwill*

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash generating unit to which the asset belongs.

We recognize an impairment loss only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, we discount the estimated future cash flows 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. We charge an impairment loss to profit or loss in the period in which it arises.

An assessment is made at the end of each accounting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, we estimate the recoverable amount. We reverse a previously recognized impairment loss of an asset only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

### *Property, Plant and Equipment and Depreciation*

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Plant and machinery	3 – 10 years
Office equipment	3 – 10 years
Motor vehicles	3 – 10 years
Tooling and equipment	3 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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## FINANCIAL INFORMATION

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Construction in progress represents buildings, plant and machinery under construction or installation and testing which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalized borrowing costs on related borrowed funds during the period of construction or installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### ***Intangible Assets (Other than Goodwill)***

Intangible assets acquired separately are measured on initial recognition as cost. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

### **Research and Development Costs**

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

### ***Financial Assets***

#### **Initial Recognition and Measurement**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. We determine the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that we commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

We determine the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at end of each of the accounting periods.

Our financial assets include pledged deposits, cash and bank balances and trade and bills receivables, deposits and other receivables and amounts due from related companies.

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## FINANCIAL INFORMATION

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### **Subsequent Measurement**

The subsequent measurement of financial assets depends on their classification as follows:

#### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in profit or loss. The loss arising from impairment is recognized in profit or loss in other operating expenses.

#### *Impairment of Financial Assets*

We assess at the end of each of the accounting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Inventories*

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis. The costs of raw materials comprise the purchasing costs of the materials and other costs incurred in bringing the materials to their present locations and conditions. The costs of work in progress and finished goods comprise direct materials, direct labor and an appropriate proportion of manufacturing overheads.

Net realizable value is based on selling prices, less estimated costs to be incurred to completion and disposal.

#### *Provisions*

A provision is recognized when we have a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is included in finance costs in profit or loss.

## FINANCIAL INFORMATION

### PRINCIPAL INCOME STATEMENT COMPONENTS

The following table sets forth the principal components of our statement of income:

	Year ended December 31,						Six months ended June 30,			
	2007		2008		2009		2009		2010	
	(RMB in millions)	Share (%)	(RMB in millions)	Share (%)	(RMB in millions)	Share (%)	(RMB in millions)	Share (%)	(RMB in millions)	Share (%)
<b>REVENUE</b> .....	1,129.1	100.0	1,499.0	100.0	1,391.5	100.0	600.6	100.0	944.4	100.0
Cost of Sales .....	(989.0)	(87.6)	(1,301.4)	(86.8)	(1,112.9)	(80.0)	(484.3)	(80.6)	(707.6)	(74.9)
Gross profit .....	140.1	12.4	197.6	13.2	278.6	20.0	116.3	19.4	236.8	25.1
Other income and gains....	5.9	0.5	10.2	0.7	20.6	1.4	11.6	1.9	5.5	0.6
Selling and distribution costs .....	(34.1)	(3.0)	(43.7)	(2.9)	(57.3)	(4.1)	(23.0)	(3.8)	(27.3)	(2.9)
Administrative expenses ...	(43.4)	(3.8)	(59.0)	(3.9)	(70.1)	(5.0)	(34.1)	(5.7)	(54.6)	(5.8)
Other operating expenses ..	(9.2)	(0.8)	(9.1)	(0.6)	(2.4)	(0.2)	(1.0)	(0.2)	(0.9)	(0.1)
Finance costs .....	(5.4)	(0.5)	(8.3)	(0.6)	(9.6)	(0.7)	(4.7)	(0.8)	(9.5)	(1.0)
<b>PROFIT BEFORE TAX</b> ..	53.9	4.8	87.7	5.9	159.8	11.4	65.1	10.8	150.0	15.9
Income tax expense .....	(2.3)	(0.2)	(12.9)	(0.9)	(14.5)	(1.0)	(6.9)	(1.1)	(23.0)	(2.4)
<b>PROFIT FOR THE YEAR/PERIOD</b> .....	51.6	4.6	74.8	5.0	145.3	10.4	58.2	9.7	127.0	13.5
<b>OTHER COMPREHENSIVE INCOME</b>										
Exchange differences on translation of foreign operations .....	2.4	0.2	1.5	0.1	(0.1)	-	-	-	(0.2)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b> .....	54.0	4.8	76.3	5.1	145.2	10.4	58.2	9.7	126.8	13.5
Profit attributable to:										
Owners of the Company .	50.6	4.5	74.7	5.0	145.3	10.4	58.2	9.7	127.0	13.5
Non-controlling interests .....	1.0	0.1	0.1	-	-	-	-	-	-	-
	51.6	4.6	74.8	5.0	145.3	10.4	58.2	9.7	127.0	13.5
Total comprehensive income attributable to:										
Owners of the Company .	53.1	4.7	76.3	5.1	145.2	10.4	58.2	9.7	126.8	13.5
Non-controlling interests .....	0.9	0.1	-	-	-	-	-	-	-	-
	54.0	4.8	76.3	5.1	145.2	10.4	58.2	9.7	126.8	13.5

## FINANCIAL INFORMATION

### *Revenue*

We generate revenue from the sale of lead-acid batteries and of components such as electrode plates and battery shelves. Component sales comprised less than 5% of our revenue throughout the Track Record Period. We also historically generated a small amount of revenue from the sale of electric vehicles, however this was discontinued in 2010.

We recognize revenue when the significant risks and rewards of ownership have been transferred, the title has been passed to the buyer and the amount of revenue can be measured reliably, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Except for telecommunications customers, revenue recognition criteria are met upon delivery of products. For sales to telecommunications customers, we recognize revenue when a purchase order is signed, which, consistent with market practice of the telecommunications industry, usually takes place within four weeks after we deliver the products. For more details about our terms of sales for telecommunications customers, please see “Business—Customers—Terms of Sales and Credit Policy” in this prospectus.

The major sources of growth over the Track Record Period have been the sale of batteries for the telecommunications industry, as well as batteries for the renewable energy sector and SLI batteries. Geographically, growth has been driven by increased sales to domestic customers in China, as well as in various emerging markets, which expanded significantly during the six months ended June 30, 2010 as many international markets recovered from the global economic crisis.

The table below sets forth our revenue by product types, their percentage of total revenue and the average selling price (“ASP”) calculated as revenue per KVAh sold for the periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2007			2008			2009			2009			2010		
	Revenue (RMB in millions)	Share (%)	ASP (RMB)	Revenue (RMB in millions)	Share (%)	ASP (RMB)	Revenue (RMB in millions)	Share (%)	ASP (RMB)	Revenue (RMB in millions)	Share (%)	ASP (RMB)	Revenue (RMB in millions)	Share (%)	ASP (RMB)
<b>Revenue</b>															
Reserve power . . . . .	1,084.5	96.0	583.4	1,430.1	95.5	649.6	1,246.7	89.5	514.0	539.8	89.9	507.5	821.0	86.9	514.1
<i>of which:</i>															
UPS . . . . .	641.3	56.8	536.9	828.5	55.3	566.9	564.0	40.5	421.8	251.9	41.9	448.0	443.1	46.9	463.9
Telecommunications . . . . .	203.4	18.0	661.3	335.9	22.4	907.5	486.3	34.9	674.9	196.8	32.8	578.2	210.1	22.2	581.5
Renewable energy storage . . . . .	8.0	0.7	941.5	14.4	1.0	975.9	32.3	2.3	610.3	5.5	0.9	563.5	11.9	1.3	731.7
Other consumer and industrial products . . . . .	231.8	20.5	655.5	251.3	16.8	707.5	164.1	11.8	521.4	85.6	14.3	565.6	155.9	16.5	590.1
SLI . . . . .	27.2	2.4	361.6	48.3	3.2	457.1	90.8	6.5	390.4	41.9	7.0	413.3	76.3	8.1	444.3
Motive power . . . . .	3.1	0.3	315.7	6.1	0.4	392.7	2.8	0.2	358.7	1.4	0.2	354.6	7.1	0.8	521.2
Other <sup>(1)</sup> . . . . .	14.3	1.3	N/A	14.5	0.9	N/A	51.2	3.8	N/A	17.5	2.9	N/A	40.0	4.2	N/A
<b>TOTAL</b> . . . . .	<u>1,129.1</u>	<u>100.0</u>	<u>N/A</u>	<u>1,499.0</u>	<u>100.0</u>	<u>N/A</u>	<u>1,391.5</u>	<u>100.0</u>	<u>N/A</u>	<u>600.6</u>	<u>100.0</u>	<u>N/A</u>	<u>944.4</u>	<u>100.0</u>	<u>N/A</u>

*Note:*

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

## FINANCIAL INFORMATION

The following table sets out total sales volume of our batteries during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	(KVAh in thousands)				
<b>Total Sales Volume</b>					
Reserve power .....	1,858.6	2,201.5	2,425.5	1,063.8	1,596.8
<i>of which:</i>					
UPS .....	1,194.3	1,461.5	1,337.2	562.3	955.1
Telecommunications .....	307.5	370.1	720.6	340.4	361.3
Renewable energy storage .....	8.5	14.8	52.9	9.7	16.3
Other consumer and industrial products .....	348.3	355.1	314.8	151.4	264.1
SLI .....	75.2	105.6	232.7	101.4	171.6
Motive power .....	10.0	15.5	7.7	4.0	13.6
<b>TOTAL</b> .....	1,943.8	2,322.6	2,665.9	1,169.2	1,782.0

The following table sets out our revenue by geographic location during the Track Record Period:

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

## FINANCIAL INFORMATION

The following table sets out our revenue by OEM and non-OEM sales during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2007		2008		2009		2009		2010	
	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)	Revenue (RMB in millions)	Share (%)
Domestic – OEM <sup>(1)</sup> . . . . .	12.3	1.1	26.1	1.7	13.2	0.9	10.7	1.8	28.0	3.0
Domestic – non-OEM <sup>(1)</sup> . . . . .	409.5	36.3	531.2	35.5	612.2	44.0	258.5	43.0	333.8	35.3
International – OEM <sup>(1)(2)</sup> . . . . .	653.6	57.9	824.1	55.0	683.6	49.1	282.6	47.1	525.6	55.7
International – non-OEM <sup>(1)(2)</sup> . . . . .	53.7	4.7	117.6	7.8	82.5	6.0	48.8	8.1	57.0	6.0
<b>TOTAL</b> . . . . .	<b>1,129.1</b>	<b>100.0</b>	<b>1,499.0</b>	<b>100.0</b>	<b>1,391.5</b>	<b>100.0</b>	<b>600.6</b>	<b>100.0</b>	<b>944.4</b>	<b>100.0</b>

Notes:

- (1) OEM sales represent sales of products under our customers' trademarks or brand names, while non-OEM sales principally include sales of products under our own brand.
- (2) Each of International–OEM and International–non-OEM includes our sales to distributors. Sales to distributors in aggregate accounted for less than 5.0% of our revenue during the Track Record Period.

### Cost of Sales

Our cost of sales consists primarily of raw materials, electricity, labor, depreciation and other production costs.

*Raw materials.* Raw materials consist primarily of lead, ABS plastic, sulphuric acid and fiberglass separators. Lead has historically represented the largest component of raw materials, comprising approximately 60.8%, 61.8%, 56.6%, and 62.4% of our total cost of sales in 2007, 2008, 2009 and the six months ended June 30, 2010, respectively.

*Labor for production.* Labor cost primarily includes wages, salaries and benefits for our employees directly involved in the production process.

*Depreciation expenses.* Depreciation expenses represent the depreciation for the production plants and equipment we use.

The following table provides a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2007		2008		2009		2009		2010	
	(RMB in millions)	Share (%)	(RMB in millions)	Share (%)	(RMB in millions)	Share (%)	(RMB in millions)	Share (%)	(RMB in millions)	Share (%)
<b>Cost of Sales</b>										
Raw materials . . . . .	886.4	89.6	1,160.8	89.2	945.7	85.0	411.0	84.9	607.3	85.9
<i>of which:</i>										
Lead . . . . .	601.1	60.8	804.7	61.8	630.0	56.6	290.1	59.9	441.2	62.4
Other raw materials . . . . .	285.3	28.8	356.1	27.4	315.7	28.4	120.9	25.0	166.1	23.5
Electricity . . . . .	37.9	3.8	51.2	3.9	58.7	5.3	29.9	6.1	36.9	5.2
Labor . . . . .	40.8	4.1	62.8	4.8	75.0	6.7	30.9	6.4	43.9	6.2
Depreciation . . . . .	15.1	1.5	18.9	1.5	26.6	2.4	9.6	2.0	14.2	2.0
Others . . . . .	8.8	1.0	7.7	0.6	6.9	0.6	2.9	0.6	5.3	0.7
<b>TOTAL</b> . . . . .	<b>989.0</b>	<b>100.0</b>	<b>1,301.4</b>	<b>100.0</b>	<b>1,112.9</b>	<b>100.0</b>	<b>484.3</b>	<b>100.0</b>	<b>707.6</b>	<b>100.0</b>

## FINANCIAL INFORMATION

### *Gross Profit and Gross Profit Margin*

Our profit margins for sales of batteries for the telecommunications industry and renewable energy industry have historically been higher than for many of our other products. The following table sets out our total gross profit, gross profit margin and gross profit per KVAh by product category during the Track Record Period:

	Year ended December 31,									Six months ended June 30,					
	2007		2008			2009				2009			2010		
	Gross Profit (RMB in millions)	Gross Profit Margin (%)	Gross Profit per KVAh (RMB)	Gross Profit (RMB) millions	Gross Profit Margin (%)	Gross Profit per KVAh (RMB) millions	Gross Profit (RMB) millions	Gross Profit Margin (%)	Gross Profit per KVAh (RMB) millions	Gross Profit (RMB) millions	Gross Profit Margin (%)	Gross Profit per KVAh (RMB) millions	Gross Profit (RMB) millions	Gross Profit Margin (%)	Gross Profit per KVAh (RMB) millions
<b>Gross Profit</b>															
Reserve power. . . . .	136.8	12.6	73.6	192.8	13.5	87.6	253.1	20.3	104.4	106.4	19.7	99.9	209.7	25.5	131.3
<i>of which:</i>															
UPS . . . . .	54.2	8.5	45.4	94.3	11.4	64.5	88.8	15.7	66.4	45.1	17.9	80.2	92.8	20.9	97.1
Telecommunications. . . . .	52.6	25.9	171.1	70.6	21.0	190.7	127.3	26.2	176.8	46.9	23.9	138.2	74.3	35.4	205.8
Renewable															
energy storage	3.4	42.5	400.3	5.7	39.3	383.5	13.0	40.2	245.2	2.4	44.5	250.7	7.9	66.1	483.5
Other consumer and industrial products. . . . .	26.6	11.5	76.3	22.2	8.9	62.7	24.0	14.6	76.1	12.0	13.7	77.5	34.7	22.3	131.4
SLI . . . . .	2.5	9.3	33.7	3.1	6.4	29.2	20.7	22.8	89.0	8.2	19.6	81.1	16.9	22.2	98.5
Motive power . . . . .	0.3	9.3	29.5	0.8	12.4	48.6	0.3	9.2	32.9	0.1	9.0	31.8	2.6	36.4	189.7
Other. . . . .	0.5	3.5	N/A	0.9	6.4	N/A	4.5	8.7	N/A	1.6	9.3	N/A	7.6	19.0	N/A
<b>TOTAL . . . . .</b>	<b>140.1</b>	<b>12.4</b>	<b>N/A</b>	<b>197.6</b>	<b>13.2</b>	<b>N/A</b>	<b>278.6</b>	<b>20.0</b>	<b>N/A</b>	<b>116.3</b>	<b>19.4</b>	<b>N/A</b>	<b>236.8</b>	<b>25.1</b>	<b>N/A</b>

### *Other Income and Gains*

Our other income and gains primarily consist of bank interest income, government grants, and sale of scrap materials.

*Bank interest income:* Bank interest income is generated by balances in our current accounts.

*Government grants:* During the Track Record Period, we received certain grants from municipal and provincial governments as a result of our status as a high-technology manufacturer. In addition, we received an electricity rebate totaling approximately RMB15.5 million from Jiangsu province in 2008 and 2009 to subsidize our usage of electricity. Jiangsu province provides these rebates to companies operating in selected industries that they seek to attract.

*Sale of scrap materials:* This is generated from sales of miscellaneous materials generated by our operations.

### *Selling and Distribution Costs*

Our selling and distribution costs primarily consist of domestic shipping and freight costs, wages, salaries and benefits for sales and marketing and after-sales service employees, sales and marketing related expenditures, such as advertisement costs, travel and entertainment, and rental costs for leasing our sales offices in China and around the world. Costs we incur to have our products certified for sale in particular industries or in particular markets are also included in this line item.



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### *Administrative Expenses*

Our administrative expenses principally comprise of wages, salaries and benefits for all non-production, non-sales employees and management; general employee benefit expenses such as cafeteria and other fringe benefits, and depreciation and amortization of non-production assets.

### *Other Operating Expenses*

This is generated principally from foreign exchange gains and losses and bad debt expenses.

### *Finance Costs*

This includes interest payable on outstanding indebtedness.

### *Income Tax Expense*

Income tax expense primarily represents the amount of the PRC enterprise income tax we pay. During the Track Record period, we were not subject to any income tax in the Cayman Islands, and we were not subject to income taxes in the U.K. and Singapore as no profit was generated from our operations in those jurisdictions. Our U.S. subsidiary, Leoch Battery Corp, has been subject to corporate income tax in the United States since becoming our subsidiary on June 1, 2010.

Leoch Power Supply and Leoch Battery Company, two of our Hong Kong subsidiaries, are subject to Hong Kong income tax at the statutory rate of 17.5% (for the year of assessment 2007/08) and 16.5% (for the year of assessment 2008/09 onwards). One of our Hong Kong subsidiaries, Kinetic Growth, has not performed any operations in Hong Kong. Most of its operations were carried out in the PRC by our PRC subsidiaries that sold products to it. The profits of Kinetic Growth were allocated to respective PRC subsidiaries based on the total cost of goods purchased from such PRC subsidiaries. The tax provision of Kinetic Growth was RMB5.5 million, RMB6.3 million and RMB6.2 million for the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010. There was no tax provision for the year ended December 31, 2007 as Kinetic Growth was set up on January 11, 2008.

Our five production subsidiaries, Jiangsu Leoch, Anhui Leoch Battery, Zhaoqing Leoch, Shenzhen Leoch and Dongguan Leoch, currently benefit from a reduced EIT rate. Our effective tax rate was 4.2%, 14.7%, 9.1% and 15.3% in 2007, 2008 and 2009 and the six months ended June 30, 2010, respectively. The applicable EIT rates during the Track Record Period for our five subsidiaries are set out below:

	Year ended December 31,			
	2007	2008	2009	2010 <sup>(1)</sup>
Jiangsu Leoch .....	Nil	12.5%	12.5%	12.5%
Zhaoqing Leoch .....	N/A	Nil	Nil	12.5%
Anhui Leoch Battery .....	N/A	Nil	Nil	12.5%
Dongguan Leoch .....	15%	15%	15%	15%
Shenzhen Leoch .....	7.5%	18%	20%	22%

*Note:*

- (1) Tax rates for 2010 are based on the statutory rate for each subsidiary as of the Latest Practicable Date and are not expected to change during the remainder of 2010.

Our effective tax rates during the Track Record Period were considerably lower than the standard enterprise income tax rate of 25% under the EIT Law because our PRC subsidiaries have been entitled to certain preferential tax benefits. In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, Anhui Leoch Battery, Zhaoqing Leoch and Jiangsu Leoch were exempt from enterprise income tax for two years and were entitled to a 50% reduction in enterprise

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income tax for the subsequent three years (“EIT Exemption”). The six-month period ended June 30, 2010 was the third year for Anhui Leoch Battery and Zhaoqing Leoch and the fifth year for Jiangsu Leoch to enjoy the EIT Exemption. Pursuant to the transitional arrangement under the EIT Law, the enterprise income tax rate applicable to Shenzhen Leoch will be gradually increased from the rate of 18% to the unified rate of 25% over five years commencing from year 2008. Meanwhile, Dongguan Leoch was recognized as a high-tech enterprise by the PRC tax authority in 2008 with an effective period of three years from 2008 to 2010 and was entitled to a 15% enterprise income tax rate from January 1, 2008 onwards.

### *Share-based Compensation Expenses*

We adopted the Pre-IPO Share Option Scheme on May 25, 2010 and granted in aggregate 37,840,000 share options to our directors and employees on June 1, 2010. We recognize share option scheme expenses by amortizing a portion of the share-based compensation expenses over the period in which the performance and/or service conditions are fulfilled. We grant options to our directors and employees and measure a share-based compensation expenses by reference to the fair value of options on the grant date. We recorded share-based compensation expenses of RMB1.0 million in the six months ended June 30, 2010. We had RMB35.7 million of unamortized deferred share-based compensation expenses as of June 30, 2010.

The following table sets forth the allocation of our share-based compensation expenses both in absolute amount and as a percentage of total share-based compensation expenses.

	Year ended December 31,						Six months ended June 30,	
	2007		2008		2009		2010	
	RMB (in millions)	Share (%)	RMB (in millions)	Share (%)	RMB (in millions)	Share (%)	RMB (in millions)	Share (%)
<b>Allocation of Share-based Compensation Expenses</b>								
Cost of sales.....	-	-	-	-	-	-	0.1	10.0
Administrative expenses .....	-	-	-	-	-	-	0.5	50.0
Selling and distribution costs ..	-	-	-	-	-	-	0.4	40.0
	-	-	-	-	-	-	1.0	100.0

### *Other comprehensive income*

This consists of unrealized exchange differences on translation of foreign operations during the preparation of our consolidated financial statements.

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### SIX-MONTH PERIOD ENDED JUNE 30, 2010 COMPARED TO SIX-MONTH PERIOD ENDED JUNE 30, 2009

#### *Revenue*

Our total revenue increased by 57.2% from RMB600.6 million for the six months ended June 30, 2009 to RMB944.4 million for the six months ended June 30, 2010, primarily because, as demand for our products increased and as we continued to expand our sales, particularly in reserve power batteries for UPS and for other consumer and industrial products sales volume increased by 70.8% from 0.7 million KVAh in the six months ended June 30, 2009 to 1.2 million KVAh in the six months ended June 30, 2010. Our revenue growth was also attributable to the increase in our average selling price, particularly the average selling price of our reserve power batteries which increased from RMB507.5 per KVAh in the six months ended June 30, 2009 to RMB514.1 per KVAh in the six months ended June 30, 2010, primarily as the result of lead price increases.

By product type, sales revenue from reserve power batteries increased by 52.1% to RMB821.0 million in the six months ended June 30, 2010 from RMB539.8 million in the six months ended June 30, 2009 as the sales volume of reserve power batteries increased by 50.1% to 1.6 million KVAh in the six months ended June 30, 2010 from 1.1 million KVAh in the six months ended June 30, 2009. In particular, sales volume for reserve power batteries used in UPS and in renewable energy storage increased by 69.9% and 68.0%, respectively, in the six months ended June 30, 2010 compared to the same period in 2009. Furthermore, the average selling price for reserve power batteries increased by 1.3% to RMB514.1 per KVAh in the six months ended June 30, 2010 from RMB507.5 per KVAh in the six months ended June 30, 2009. Most notably, average selling price of reserve power batteries used in renewable energy storage increased by 29.9% from RMB563.5 per KVAh to RMB731.7 per KVAh.

Sales revenue from SLI batteries increased by 82.1% to RMB76.3 million in the six months ended June 30, 2010 from RMB41.9 million in the six months ended June 30, 2009 as sales volume of SLI batteries increased by 69.2% to 0.2 million KVAh in the six months ended June 30, 2010 from 0.1 million KVAh in the six months ended June 30, 2009 and as average selling price increased by 7.5% to RMB444.3 per KVAh in the six months ended June 30, 2010 from RMB413.3 per KVAh in the six months ended June 30, 2009.

Sales revenue from motive power batteries increased by 407.1% to RMB7.1 million in the six months ended June 30, 2010 from RMB1.4 million in the six months ended June 30, 2009 as sales volume of motive power batteries increased by 240.0% to 13,600 KVAh in the six months ended June 30, 2010 from 4,000 KVAh in the six months ended June 30, 2009 and as average selling price increased by 47.0% to RMB521.2 per KVAh in the six months ended June 30, 2010 from RMB354.6 per KVAh in the six months ended June 30, 2009.

#### *Cost of Sales*

Our cost of sales increased by 46.1% from RMB484.3 million for the six months ended June 30, 2009 to RMB707.6 million for the six months ended June 30, 2010. The increase was principally driven by our increased sales volume.

*Lead:* Cost of lead increased by 52.1% from RMB290.1 million for the six months ended June 30, 2009 to RMB441.2 million for the six months ended June 30, 2010 as our lead consumption increased from 27.3 thousand tons in the six months ended June 30, 2009 to 34.2 thousand tons in the six months ended June 30, 2010 in connection with our increased sales volume. In addition, our average cost of lead increased by 20.7% from RMB10.6 thousand per ton in the six months ended June 30, 2009 to RMB12.8 thousand per ton in the six months ended June 30, 2010.

*Other raw materials:* Cost of other raw materials increased by 37.4%, from RMB120.9 million for the six months ended June 30, 2009 to RMB166.1 million for the six months ended June 30, 2010, corresponding to the increase in sales volume.

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*Electricity:* Cost of electricity increased by 23.4% from RMB29.9 million for the six months ended June 30, 2009 to RMB36.9 million for the six months ended June 30, 2010, which corresponded to our increased use of electricity resulting from the increase in sales volume, as our average unit cost for electricity did not change materially between the six months ended June 30, 2009 and the six months ended June 30, 2010.

*Labor for production:* Our labor costs increased by 42.2% from RMB30.9 million for the six months ended June 30, 2009 to RMB43.9 million for the six months ended June 30, 2010, primarily due to an increase in the number of production employees to meet our increase in sales volume.

*Depreciation:* Our depreciation costs increased by 48.6% from RMB9.6 million for the six months ended June 30, 2009 to RMB14.2 million for the six months ended June 30, 2010, principally because of the new equipment and machineries commissioned at Zhaoqing and Anhui production facilities.

### ***Gross Profit and Gross Profit Margin***

Gross profit increased by approximately 103.7% from RMB116.3 million for the six months ended June 30, 2009 to RMB236.8 million for the six months ended June 30, 2010. Our gross profit margin increased from 19.4% for the six-month period ended June 30, 2009 to 25.1% for the six-month period ended in June 30, 2010. These increases were primarily due to efficiency gains from economies of scale as our sales volume increased to 1.8 million KVAh in the six months ended June 30, 2010 from 1.2 million KVAh in the six months ended June 30, 2009. In particular, the sales volume of motive power batteries and reserve power batteries for renewable energy storage increased by 240.0% to 13,600 KVAh in the first half of 2010 from 4,000 KVAh in the same period of 2009 and by 68.0% to 16,300 KVAh in the first half of 2010 from 9,700 KVAh in the same period of 2009, respectively. As the production volume for each type of our batteries increased, we were able to increase the economies of scale of our production and reduce the per unit cost. In addition, our gross profit grew as a result of improvements we made to our production process, which resulted in a reduction in waste generated in the production process and more efficient use of lead for all of our battery products. We used on average 7.8% less lead per KVAh, thus lowered the per unit cost, in the six months ended June 30, 2010.

### ***Other Income and Gains***

Other income and gains decreased by 52.7% from RMB11.6 million for the six months ended June 30, 2009 to RMB5.5 million for the six months ended June 30, 2010. This was primarily due to the decrease in the amount of government grants received in the six months ended June 30, 2010 compared to the six months ended June 30, 2009. In particular, we did not receive any electricity rebate in the six months ended June 30, 2010.

### ***Selling and Distribution Costs***

Our selling and distribution costs increased by 18.5% from RMB23.0 million for the six months ended June 30, 2009 to RMB27.3 million for the six months ended June 30, 2010, mainly because of an increase in the number of sales employees in the six months ended June 30, 2010. Although the quantity of products sold increased in the six months ended June 30, 2010 compared to the six months ended June 30, 2009, shipping and freight costs only decreased by 1.7% as we became more effective in coordinating production and shipment from the closest production facility to reduce our per unit shipping and freight costs.

### ***Administrative Expenses***

Our administrative expenses increased by 60.0% from RMB34.1 million for the six months ended June 30, 2009 to RMB54.6 million for the six months ended June 30, 2010, mainly due to professional expenses relating to the Global Offering of approximately RMB7.6 million and an increase in the number of administrative employees.

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### *Other Operating Expenses*

Our other operating expenses decreased by 14.7% from RMB1.0 million for the six months ended June 30, 2009 to RMB0.9 million for the six months ended June 30, 2010, mainly because foreign exchange loss was lower in the first half of 2010 as the RMB exchange rate remained relatively stable compared to the same period in 2009.

### *Finance Costs*

Our finance costs increased by 107.5% from RMB4.7 million for the six months ended June 30, 2009 to RMB9.6 million for the six months ended June 30, 2010, primarily because of an increase in total interest bearing indebtedness, and an increase in interest associated with discounted bills.

### *Profit before Income Tax*

As a result of the foregoing factors, we recorded profit before income taxes of RMB65.1 million in the six months ended June 30, 2009 compared to RMB150.0 million in the six months ended June 30, 2010, representing an increase of 130.5%.

### *Income Tax Expense*

Income tax expense increased by 236.4% from RMB6.8 million for the six months ended June 30, 2009 to RMB23.0 million for the six months ended June 30, 2010. Our income tax expense increased significantly primarily because in the six months ended June 30, 2010, (i) our profit increased, and (ii) Zhaoqing Leoch and Anhui Leoch Battery were no longer fully exempt from income tax and were both subject to a 12.5% income tax from January 1, 2010. Our effective tax rate was 10.5% and 15.3% for the six-month periods ended June 30, 2009 and 2010, respectively.

### *Profit for the Period*

As a result of the foregoing factors, our profit for the period increased by 118.1% from RMB58.2 million for the six months ended June 30, 2009 to RMB127.0 million for the six months ended June 30, 2010.

### *Profit Attributable to Owners of the Company*

Profit attributable to owners of the Company increased by 118.1%, from RMB58.2 million for the six months ended June 30, 2009 to RMB127.0 million for the six months ended June 30, 2010.

## **YEAR ENDED DECEMBER 31, 2009 COMPARED TO YEAR ENDED DECEMBER 31, 2008**

### *Revenue*

Our total revenue decreased by 7.2% from RMB1,499.0 million for the year ended December 31, 2008 to RMB1,391.5 million for the year ended December 31, 2009, primarily as a result of an approximately 30.0% decrease in the average price of lead in 2009 and, as a result, a decrease in the average selling prices of our batteries. While our sales volume increased by 14.8% from 2.3 million KVAh in the year ended December 31, 2008, to 2.7 million KVAh in the year ended December 31, 2009 as a result of increased market demand, the 21.3% decrease in average selling prices more than offset the increase in sales volume. Average selling price per KVAh during 2009 was RMB502.8, compared to RMB639.1 in 2008.

### *Cost of Sales*

Our cost of sales decreased by 14.5% from RMB1,301.4 million for the year ended December 31, 2008 to RMB1,112.9 million for the year ended December 31, 2009. The decrease was principally driven by a decrease in the cost of lead.

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*Lead:* Cost of lead decreased by 21.7% from RMB804.7 million for the year ended December 31, 2008 to RMB630.0 million for the year ended December 31, 2009. Our cost of lead decreased despite an increase in lead consumed from 50.3 thousand tons for the year ended December 31, 2008 to 56.1 thousand tons for the year ended December 31, 2009 in connection with our increased sales volume, as the average cost per ton decreased by 30.0% from RMB16.0 thousand per ton for the year ended December 31, 2008 to RMB11.2 thousand per ton for the year ended December 31, 2009.

*Other raw materials:* Cost of other raw materials decreased by 11.3%, from RMB356.1 million for the year ended December 31, 2008 to RMB315.7 million for the year ended December 31, 2009, principally as a result of a decrease in the price of ABS plastic.

*Electricity:* Cost of electricity increased by 14.6% from RMB51.2 million for the year ended December 31, 2008 to RMB58.7 million for the year ended December 31, 2009, which directly corresponded to our increased use of electricity, as our average unit cost for electricity did not change materially between 2008 and 2009.

*Labor for production:* Our labor costs increased by 19.5% from RMB62.8 million for the year ended December 31, 2008 to RMB75.0 million for the year ended December 31, 2009, primarily due to an increase in the number of production employees as Zhaoqing and Anhui production facilities continued to commission various parts of their operations, as well as an increase in the wages and benefit cost per employee.

*Depreciation:* Our depreciation costs increased by 40.8% from RMB18.9 million for the year ended December 31, 2008 to RMB26.6 million for the year ended December 31, 2009, principally because more facilities were commissioned at our Zhaoqing and Anhui production facilities and we depreciated those facilities for the full 12 months of 2009, whereas some of the facilities were under construction in 2008 and we only recorded depreciation expense for certain facilities for a few months in 2008.

### ***Gross Profit and Gross Profit Margin***

Gross profit increased by approximately 41.0% from RMB197.6 million for the year ended December 31, 2008 to RMB278.6 million for the year ended December 31, 2009. Our gross profit margin increased from 13.2% in 2008 to 20.0% in 2009. This was primarily because our sales to the telecommunications industry increased as percentage of our total sales, and we have higher profit margins on telecommunications batteries than on most other products. In addition, as a result of the pricing mechanism in many of our contracts, the decline in lead prices reduced our cost of sales more than the decrease in the price of our products.

### ***Other Income and Gains***

Other income and gains increased from RMB10.2 million for the year ended December 31, 2008 to RMB20.6 million for the year ended December 31, 2009. In 2009, we recorded government grants of RMB17.1 million, most of which was attributed to a rebate for electricity consumption at our Jiangsu production facility, which was a significant increase over grants of RMB7.2 million in 2008.

### ***Selling and Distribution Costs***

Our selling and distribution costs increased by 31.2% from RMB43.7 million for the year ended December 31, 2008 to RMB57.3 million for the year ended December 31, 2009, mainly because of the increase in shipping and freight costs directly corresponding to the increase in the quantity of products sold.

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### *Administrative Expenses*

Our administrative expenses increased by 18.7% from RMB59.0 million for the year ended December 31, 2008 to RMB70.1 million for the year ended December 31, 2009, mainly because of an increase in wages, salaries and benefits for additional administrative personnel, as well as increased depreciation and amortization, as our office facilities at Zhaoqing and Anhui were commissioned.

### *Other Operating Expenses*

Our other operating expenses decreased by 73.9% from RMB9.1 million for the year ended December 31, 2008 to RMB2.4 million for the year ended December 31, 2009, mainly because there was no significant fluctuation in the exchange rate between the Renminbi and U.S. dollar during 2009. In 2009, the one U.S. dollar ranged from RMB6.82 to RMB6.84, compare to 2008, when one U.S. dollar ranged from RMB 6.78 to RMB7.29.

### *Finance Costs*

Our finance costs increased by 15.2% from RMB8.3 million for the year ended December 31, 2008 to RMB9.6 million for the year ended December 31, 2009, mainly because of an increase in total interest bearing indebtedness, and an increase in interest associated with discounted bills.

### *Profit before Income Tax*

As a result of the foregoing factors, we recorded profit before income taxes of RMB159.8 million in the year ended December 31, 2009 compared to RMB87.7 million in the year ended December 31, 2008, representing an increase of 82.4%.

### *Income Tax Expense*

Income tax expense increased by 12.9% from RMB12.9 million for the year ended December 31, 2008 to RMB14.5 million for the year ended December 31, 2009. Our income tax expense increased at a lower rate than our profit before income tax because our Zhaoqing and Anhui production facilities enjoyed zero tax rates in 2009. Our effective tax rate was 14.7% and 9.1% for the years ended December 31, 2008 and 2009, respectively.

### *Profit for the Year*

As a result of the foregoing factors, our profit for the year increased by 94.3% from RMB74.8 million for the year ended December 31, 2008 to RMB145.3 million for the year ended December 31, 2009.

### *Profit Attributable to Owners of the Company*

Profit attributable to owners of the Company increased by 94.6%, from RMB74.6 million for the year ended December 31, 2008 to RMB145.2 million for the year ended December 31, 2009.

## **YEAR ENDED DECEMBER 31, 2008 COMPARED TO YEAR ENDED DECEMBER 31, 2007**

### *Revenue*

Our total revenue increased by 32.8% from RMB1,129.1 million for the year ended December 31, 2007 to RMB1,499.0 million for the year ended December 31, 2008. Both increases in sales volume and increases in average selling price contributed to the increase in revenue during 2008. Our sales volume increased from 1.9 million KVAh in the year ended December 31, 2007, to 2.3 million KVAh in the year ended December 31, 2008, and our average selling prices increased during 2008 as a result of the significant increase in the price of lead that occurred through much of the year, from RMB580.9 per KVAh during 2007 to RMB645.4 per KVAh in 2008.

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### *Cost of Sales*

Our cost of sales increased by 31.6% from RMB989.0 million for the year ended December 31, 2007 to RMB1,301.4 million for the year ended December 31, 2008. The increase was principally driven by an increase in the cost of lead, together with our increased sales volume.

*Lead:* Cost of lead increased by 33.9% from RMB601.1 million for the year ended December 31, 2007 to RMB804.7 million for the year ended December 31, 2008. This was due to our lead consumed increasing by 22.1% from 41.2 thousand tons for the year ended December 31, 2007 to 50.3 thousand tons for the year ended December 31, 2008 in connection with our increased sales volume, as well as the 9.6% increase in average cost per ton from RMB14.6 thousand per ton for the year ended December 31, 2007 to RMB16.0 thousand per ton for the year ended December 31, 2008.

*Other raw materials:* Cost of other raw materials increased by 24.8%, from RMB285.3 million for the year ended December 31, 2007 to RMB356.1 million for the year ended December 31, 2008, as our increased sales volume led to an increase in various material costs.

*Electricity:* Cost of electricity increased by 35.1% from RMB37.9 million for the year ended December 31, 2007 to RMB51.2 million for the year ended December 31, 2008, which corresponded to our increased use of electricity as our sales volume increased; in addition, we experienced a slight increase in our average unit cost from RMB0.57 per kWh for the year ended December 31, 2007 to RMB0.60 per kWh for the year ended December 31, 2008.

*Labor for production:* Our labor costs increased by 53.9% from RMB40.8 million for the year ended December 31, 2007 to RMB62.8 million for the year ended December 31, 2008, primarily due to an increase in employees, together with an increase in the wages and benefit cost per employee in 2008.

*Depreciation:* Our depreciation costs increased by 25.3% from RMB15.1 million for the year ended December 31, 2007 to RMB18.9 million for the year ended December 31, 2008, principally due to the addition of new property, plant and equipment of RMB81.8 million in 2007.

### *Gross Profit and Gross Profit Margin*

Gross profit increased by approximately 41.0% from RMB140.1 million for the year ended December 31, 2007 to RMB197.6 million for the year ended December 31, 2008. Our gross profit margin increased from 12.4% in 2007 to 13.2% in 2008. This change was due to increased sales to the telecommunications industry, which sales generally have higher margins than our other battery products, and improved margins in our UPS sales.

### *Other Income and Gains*

Other income and gains increased by 72.3%, from RMB5.9 million for the year ended December 31, 2007 to RMB10.2 million for the year ended December 31, 2008. In 2008, we recorded government grants of RMB7.2 million, which was a significant increase over government grants of RMB0.8 million in 2007.

### *Selling and Distribution Costs*

Our selling and marketing expenses increased by 28.0% from RMB34.1 million for the year ended December 31, 2007 to RMB43.7 million for the year ended December 31, 2008, mainly because of the increase in shipping and freight costs directly corresponding to the increase in the quantity of products sold.

### *Administrative Expenses*

Our administrative expenses increased by 36.0% from RMB43.4 million for the year ended December 31, 2007 to RMB59.0 million for the year ended December 31, 2008, mainly because of an increase in headcount and related employee staff cost at Zhaoqing and Anhui production facilities.



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### *Other Operating Expenses*

Our other operating expenses decreased by 0.8% from RMB9.2 million for the year ended December 31, 2007 to RMB9.1 million for the year ended December 31, 2008.

### *Finance Costs*

Our finance costs increased by 54.4% from RMB5.4 million for the year ended December 31, 2007 to RMB8.3 million for the year ended December 31, 2008, because of an increase in loan interest and in interest associated with discounted bills.

### *Profit before Income Tax*

As a result of the foregoing factors, we recorded profit before income taxes of RMB87.7 million in the year ended December 31, 2008 compared to RMB53.9 million in the year ended December, 2007, representing an increase of 62.5%.

### *Income Tax Expense*

Income tax expense increased significantly from RMB2.3 million for the year ended December 31, 2007 to RMB12.9 million for the year ended December 31, 2008. The significant increase in income tax expense was due to our Jiangsu production facility no longer having a zero tax rate and it began to pay a 12.5% tax on its profit for the year ended December 31, 2008. As a result, our effective tax rate increased from 4.2% in the year ended December 31, 2007 to 14.7% for the year ended December 31, 2008.

### *Profit for the Year*

As a result of the foregoing factors, our profit for the year increased by 44.8% from RMB51.6 million for the year ended December 31, 2007 to RMB74.8 million for the year ended December 31, 2008.

### *Profit Attributable to Owners of the Company*

Profit attributable to owners of the Company increased by 47.3%, from RMB50.6 million for the year ended December 31, 2007 to RMB74.7 million for the year ended December 31, 2008.

## DESCRIPTION OF CERTAIN ITEMS ON THE STATEMENT OF FINANCIAL POSITION

### *Net Current Assets*

We had net current assets of RMB61.7 million as of December 31, 2007, net current liabilities of RMB25.6 million as of December 31, 2008, net current assets of RMB52.8 million as of December 31, 2009 and net current liabilities of RMB14.4 million as of June 30, 2010.

Our current assets mainly consist of inventories, trade and bills receivables, cash and bank balances, and prepayments, deposits and other receivables. Our current liabilities mainly consist of trade and bills payables, other payables and accruals, and interest-bearing bank loan and other borrowings.

Our net current assets have been significantly affected by our robust growth during the Track Record Period. Our trade and bills receivable have steadily increased throughout the Track Record Period, as we have increased our sales volume, and in particular, increased our sales to telecommunications companies, which historically take longer to pay their accounts in full than some of our other customers. Our trade and bills payable have also increased throughout the Track Record Period, in connection with our increase in sales volume. Our interest-bearing bank borrowings increased significantly in 2009 and in the six months ended June 30, 2010, as we increased our borrowings to

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maintain our working capital position. In addition, amounts due to a Director increased as we purchased Shenzhen Leoch from a Director during 2008. We have fully settled the amount due to a Director with our internal resources and banking facilities subsequent to June 30, 2010. As of August 31, 2010, we had banking facilities of approximately RMB746.6 million, of which RMB256.7 million were unutilized.

The following table sets out details of our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of	As of
	2007	2008	2009	June 30,	August 31,
	(RMB in millions)				
<b>CURRENT ASSETS</b>					
Inventories .....	154.8	98.6	180.7	311.4	415.5
Trade and bills receivables.....	184.4	229.5	340.4	443.0	516.6
Prepayments, deposits and other receivables.....	7.8	12.8	28.5	40.9	40.2
Tax recoverable .....	-	0.1	0.3	-	-
Amounts due from related companies ..	21.0	19.6	34.2	22.1	17.4
Pledged deposits .....	8.7	15.1	18.8	53.9	49.8
Cash and bank balances .....	22.4	35.7	43.2	79.0	30.1
Total current assets .....	399.1	411.4	646.1	950.3	1,069.6
<b>CURRENT LIABILITIES</b>					
Trade and bills payables.....	100.3	141.6	163.1	292.5	360.4
Dividend payable.....	-	-	-	68.7	18.5
Other payables and accruals .....	112.8	118.3	130.6	146.2	161.8
Interest-bearing bank borrowings .....	65.2	63.6	173.3	295.3	334.6
Amount due to a director .....	15.2	59.8	58.5	70.2	65.3
Amounts due to related companies .....	42.6	45.3	54.4	65.1	86.5
Income tax payable.....	1.3	8.4	13.4	26.7	25.1
Total current liabilities .....	337.4	437.0	593.3	964.7	1,052.2
<b>NET CURRENT</b>					
<b>ASSETS/(LIABILITIES).....</b>	61.7	(25.6)	52.8	(14.4)	17.4

We experienced a net current liability position as of December 31, 2008, mainly due to (a) the capital expenditure needed for the construction and development of new production facilities in Zhaoqing and Anhui that were funded by short term bank borrowings, and (b) the purchase of Shenzhen Leoch from a Director in 2008 which led to a significant increase in the amounts due to a Director for the period. We also experienced a net current liability position as of June 30, 2010 primarily as a result of the declaration of dividends in the aggregate amount of RMB147.7 million by two of our subsidiaries to their then shareholders during the period, of which RMB71.3 million had been paid as of June 30, 2010 and RMB76.4 million (comprising dividend payable of RMB68.7 million and withholding tax as other payable of RMB7.6 million) was outstanding and significantly increased our currently liabilities during the period. Our bank borrowings increased as a result of our increase in production volume and working capital requirements as well as the increase in sales to telecommunication customers. We extend a longer credit period to telecommunication customers than customers in other industries. The increase in sales to telecommunication customers resulted in an increase in our receivables turnover period and required us to obtain more bank borrowings to finance working capital.

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Notwithstanding our net current liability positions as of December 31, 2008 and June 30, 2010, we were able to repay and renew bank borrowings. In addition, we have not experienced any default in our debt covenants except that as of December 31, 2008, one of our U.S. subsidiaries did not meet certain debt covenants with respect to bank loans in the amount of RMB5.5 million in relation to requirements on its liquidity ratio and the carrying amount of net tangible assets, due to our financial staff's oversight. These debt covenants are no longer applicable as the loan has been settled in full. For further details on the relevant debt covenants and on our measures to improve capital management, please refer to the sub-section headed "Indebtedness" below.

Our Directors consider that it is a common practice in the PRC for local banks to extend working capital loans to enterprises with maturities of less than 12 months. We have not in the past experienced any difficulties in renewing our banking facilities upon maturity, nor have we defaulted on any bank borrowings except as mentioned above. We do not foresee any immediate repayment requirement for our bank borrowings or withdrawal or reduction in banking facilities on short notice. In addition, we expect that our net current liabilities position will be substantially improved following the completion of the Global Offering. In light of our consistently improving profitability, our Directors believe that our cash-on-hand, cash generated from operating activities and additional bank borrowings, if necessary, will be adequate to finance our existing operations and meet the capital requirements for our future plans.

### *Inventories*

During the Track Record Period, inventories constituted one of the principal components of our current assets. We strive to carefully manage and control our level of inventories. The value of our inventories accounted for approximately 38.8%, 24.0%, 28.0% and 32.8% of our total current assets as of December 31, 2007 and 2008 and 2009 and June 30, 2010, respectively.

Our inventories decreased by approximately 36.3% from RMB154.8 million as of December 31, 2007 to RMB98.6 million as of December 31, 2008. Our inventories declined in 2008 because we made significant efforts to use our raw materials inventories prior to year end as the price of lead was declining, and we depleted our inventory stock while monitoring the market price prior to making purchase decisions to try to take advantage of the declining price. Our inventories increased by approximately 83.3% from RMB98.6 million as of December 31, 2008 to RMB180.7 million as of December 31, 2009. The increase in 2009 was primarily due to higher lead prices and in increased purchases of raw materials associated with increased production volume. Our inventories increased by approximately 72.4% from RMB180.7 million as of December 31, 2009 to RMB311.4 million as of June 30, 2010 because as our sales volume is usually higher in the second half of the year, we increased our inventory stock to meet the anticipated growth in our sales volume. As of August 31, 2010, RMB279.9 million of inventories recorded on our June 30, 2010 balance sheet had been sold.

We do not have a general provisioning policy for inventories but make assessments on provisions on a case-by-case basis. During the Track Record Period, we did not make any material provisions for inventories. Our raw materials are not generally susceptible to obsolescence by passage of time.

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The following table is a summary of our balance of inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Raw materials .....	29.5	14.4	34.9	71.3
Work in progress.....	51.8	33.1	80.3	124.8
Finished goods .....	74.3	51.1	65.5	115.3
	155.6	98.6	180.7	311.4
Less: Provision for obsolete inventories .....	(0.8)	–	–	–
<b>TOTAL</b> .....	<b>154.8</b>	<b>98.6</b>	<b>180.7</b>	<b>311.4</b>

Our average inventory turnover days decreased from 46 days in 2007 to 36 days in 2008 in connection with the decline in our inventory amounts, principally a decline in our inventory of lead. Average inventory turnover days increased to 46 days in 2009 as lead prices and the volume of our lead inventory increased throughout 2009. Average inventory turnover days increased to 64 days in the six months ended June 30, 2010 because in order to meet the needs of increased sales volume in the second half of the year, we increased the inventory of raw material, work-in-progress and finished products.

The following table sets out our average inventory turnover days for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2007	2008	2009	2010
Average inventory turnover days <sup>(1)</sup> .....	46	36	46	64

*Note:*

- (1) Average inventory turnover days are equal to the average inventory divided by cost of sales and multiplied by 365 days (183 days in the case of six months ended June 30, 2010). Average inventories are equal to inventories at the beginning of the year plus inventories at the end of the year/period and divided by two.

### **Trade and Other Receivables Analysis**

#### **Trade and Bills Receivables**

The following table is a summary of our trade and bills receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Trade receivables .....	194.0	245.0	365.6	460.8
Bills receivable .....	0.6	–	0.9	1.4
Less: Impairment provision .....	(6.6)	(6.1)	(6.8)	(5.2)
	188.0	238.9	359.7	457.0
Less: Non-current portion <sup>(1)</sup> .....	(3.6)	(9.4)	(19.3)	(14.0)
Current portion .....	184.4	229.5	340.4	443.0

*Note:*

- (1) Non-current portion refers to the portion of the trade and bills receivables due in more than one year.

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Our trade and bills receivables primarily relate to receivables for goods sold to our customers. We grant different credit periods to our customers, based on our relationship with the customer, their credit history, the size of the customer's orders and other factors we deem relevant. The credit period of individual customers is considered on a case-by-case basis. Certain customers, particularly new or smaller customers, are required to make partial payment before or upon delivery. With the exception of telecommunications customers, for our major customers, we generally require payments to be made within 30 to 60 days after shipment or monthly settlement. For our telecommunications customers, we extend a longer credit period. Payments are made in installments as specified in the framework agreements and purchase orders. We normally receive approximately 70% to 80% of the total order amount within 60 days of signing the purchase order, and receive a subsequent installment six months to one year after the installation of our products, which is usually completed within two months after signing the purchase order. We receive final installment of approximately 5% to 10% of the total order amount after the final inspection which is usually carried out one year after installation. We seek to maintain strict control over our outstanding receivables and closely monitor them to minimize credit risk, especially receivables from customers with credit terms over three months, or with installment payments, such as telecommunications customers. Overdue balances are reviewed regularly by our senior management. As of August 31, 2010, RMB218.3 million of trade and bills receivables outstanding as of June 30, 2010 were settled.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables and bills receivables approximate their fair values. As of December 31, 2007, 2008 and 2009, and as of June 30, 2010, we had pledged certain trade and bills receivables amounting to approximately RMB2.4 million, RMB0.8 million, RMB1.0 million and RMB2.6 million as security for interest-bearing bank loans, respectively. The proceeds from transferring the trade and bills receivables were accounted for as collateralized bank advances until the bills were collected or we made good of any losses incurred by the banks.

The following table sets out our average trade and bills receivables turnover days for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2007	2008	2009	2010
Average trade and bills receivables turnover days <sup>(1)</sup> .....	56	52	79	79

*Note:*

- (1) Average trade and bills receivables turnover days are equal to the average trade and bills receivables divided by revenue and multiplied by 365 days (183 days in the case of six months ended June 30, 2010). Average trade and bills receivables are equal to trade and bills receivables at the beginning of the year plus trade and bills receivables at the end of the year/period and divided by two.

Our trade and bills receivables (net of impairment provision) increased by approximately 30.1% from RMB340.4 million as of December 31, 2009 to RMB443.0 million as of June 30, 2010, primarily due to our increased sales volume. Average trade and bills receivables turnover days remained 79 in the six months ended June 30, 2010.

Our trade and bills receivables (net of impairment provision) increased by approximately 48.3% from RMB229.5 million as of December 31, 2008 to RMB340.4 million as of December 31, 2009, primarily due to our increasing sales volume, and in particular, increasing sales to telecommunications companies, to whom we extent a longer credit period than with respect to sales in other industries. Average trade and bills receivables turnover days also increased from 52 in the year ended December 31, 2008 to 79 in the year ended December 31, 2009 in connection with our sales to telecommunications customers.

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Our trade and bills receivables increased by approximately 24.5% from RMB184.4 million as of December 31, 2007 to RMB229.5 million as of December 31, 2008, primarily due to the substantial increase in our revenue. Average trade and bills receivables turnover days decreased from 56 in the year ended December 31, 2007 to 52 in the year ended December 31, 2008, as we did not have any significant increases in late payments as our revenue grew.

An aging analysis of the trade and bills receivables for the Track Record Period based on the invoice date, net of provisions, is as follows:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Outstanding balances with ages:				
Within 90 days .....	157.4	189.9	268.6	314.8
91 to 180 days .....	18.5	38.6	42.2	78.1
181 to 365 days .....	9.3	7.0	41.0	50.0
1 to 2 years .....	2.8	2.5	6.8	12.9
Over 2 years .....	–	0.9	1.1	1.2
<b>TOTAL</b> .....	188.0	238.9	359.7	457.0

As of August 31, 2010, RMB218.3 million of trade and bills receivables outstanding as of June 30, 2010 were settled.

Our outstanding balances with an age within 90 days increased from RMB268.6 million as of December 31, 2009 to RMB314.8 million as of June 30, 2010 due to the increase in our sales, especially to international customers whose payment terms are usually within 90 days. Our outstanding balances with an age between 181 to 365 days increased significantly to RMB41.0 million as of December 31, 2009 because of increased sales to telecommunications industry which had a longer credit period.

An aging analysis of the trade and bills receivables from sales to telecommunications customers for the Track Record Period based on the invoice date, net of provisions, is as follows:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Outstanding balances with ages:				
Within 90 days .....	41.3	98.7	158.5	113.8
91 to 180 days .....	9.0	25.1	25.8	69.2
181 to 365 days .....	7.6	2.0	36.0	41.6
1 to 2 years .....	1.9	1.6	2.9	10.1
Over 2 years .....	–	0.2	0.1	0.8
<b>TOTAL</b> .....	59.8	127.6	223.3	235.5

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Movements in the provision for impairment of trade receivables during the Track Record Period are as follows:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
At beginning of year/period .....	5.2	6.6	6.1	6.8
Impairment loss recognized .....	1.5	0.9	0.7	0.1
Amount written off as				
uncollectible .....	–	(1.4)	–	(0.7)
Impairment losses reversed .....	–	–	–	(1.0)
Exchange differences .....	(0.1)	–	–	–
At end of year/period .....	<u>6.6</u>	<u>6.1</u>	<u>6.8</u>	<u>5.2</u>

The above provision for impairment of trade receivables relate to individual customers that were in financial difficulties and receivables that are not expected to be recoverable. These balances were fully provided for. We do not hold any collateral or other credit enhancements over these balances.

For a description of impairments of trade receivables, please see Note 20 of Accountants' Report set forth in Appendix I.

### Prepayments, Deposits and Other Receivables

We principally make prepayments and deposits in connection with our purchase of raw materials, the large majority of which relates to our purchase of lead. We are sometimes required to make a deposit or prepay a portion of the purchase price in advance of taking delivery of lead or other raw materials, depending on the supplier. Our prepayments and deposits have increased throughout the Track Record Period as our volume of production has increased.

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Prepayments .....	1.6	1.7	3.6	5.4
Deposits and other receivables .....	<u>6.2</u>	<u>11.1</u>	<u>24.9</u>	<u>35.5</u>
<b>TOTAL</b> .....	<u>7.8</u>	<u>12.8</u>	<u>28.5</u>	<u>40.9</u>

Other receivables primarily include prepayments advanced to our suppliers. The carrying amounts of other receivables approximate their fair values.

Our deposits and other receivables increased by approximately 79.0% from RMB6.2 million as of December 31, 2007 to RMB11.1 million as of December 31, 2008, by approximately 124.3% to RMB24.9 million as of December 31, 2009, and then by approximately 42.6% to RMB35.5 million as of June 30, 2010. The increases in our deposits and other receivables during the Track Record Period were mainly due to the increase in our scale of operations and the related increase in the deposits paid to our suppliers.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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### *Trade and Bills Payables*

Our trade and bills payable primarily relate to our purchase of raw materials that we require for our production process. The largest component of trade and bills payable relates to our purchase of lead.

The following sets forth our trade and bills payable as of the dates indicated.

	As of December 31,			Six months ended June 30,
	2007	2008	2009	2010
	(RMB in millions)			
<b>Payables</b>				
Trade payables.....	70.0	73.2	74.2	135.5
Bill payables .....	30.3	68.4	88.9	157.0
<b>TOTAL</b> .....	<u>100.3</u>	<u>141.6</u>	<u>163.1</u>	<u>292.5</u>

The following table sets out our average trade payables turnover days for the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2007	2008	2009	2010
Average trade payables turnover days <sup>(1)</sup> .....	<u>29</u>	<u>34</u>	<u>50</u>	<u>59</u>

*Note:*

- (1) Average trade payables turnover days is equal to the average trade payables divided by cost of sales and multiplied by 365 days (183 days in the case of six months ended June 30, 2010). Average trade payables are equal to trade payables at the beginning of the year plus trade payables at the end of the year/period and divided by two.

Our average trade payables turnover days increased from 29 days for the year ended December 31, 2007 to 34 days for the year ended December 31, 2008, 50 days for the year ended December 31, 2009, and 59 days for the six months ended June 30, 2010. These increases were primarily due to our suppliers granting longer payment terms of up to 120 days.

An aging analysis of outstanding trade and bills payables as of December 31, 2007, 2008, 2009 and June 30, 2010 based on the invoice date, is as follows:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Within 90 days.....	60.1	52.1	65.7	229.4
91 to 180 days .....	31.2	81.1	83.9	52.9
181 to 365 days.....	1.7	1.8	3.2	1.6
1 to 2 years .....	3.9	0.9	4.1	2.6
2 to 3 years .....	2.2	3.3	0.8	0.4
Over 3 years .....	1.2	2.4	5.4	5.6
<b>TOTAL</b> .....	<u>100.3</u>	<u>141.6</u>	<u>163.1</u>	<u>292.5</u>

Our trade payables are non-interest-bearing and are normally settled within 90 days. The carrying amounts of the trade payables approximates their fair values.



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Bills payables were normally required to be settled within three or six months and secured by:

- the pledge of certain of our bank balances amounting to RMB6.5 million, RMB14.0 million, RMB15.8 million and RMB51.1 million as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively;
- prepaid land lease payments amounting to RMB10.6 million as of December 31, 2009; no bills were secured by prepaid land lease payments as of December 31, 2007 and 2008 and June 30, 2010;
- personal guarantees by Mr. Dong to the extent of RMB60.0 million, RMB65.0 million and RMB65.0 million as of December 31, 2008 and 2009 and June 30, 2010, respectively; no personal guarantees were given in 2007. As of the Latest Practicable Date, the personal guarantees by Mr. Dong have been released and replaced by our corporate guarantee;
- the pledge of office premises of a related company, Shenzhen Marshall Power Supply, to the extent of RMB10.4 million, RMB9.9 million, RMB9.4 million and RMB9.1 million as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. The pledge of office premises of Shenzhen Marshall Power Supply has been released and replaced by our corporate guarantee.

Our trade payables increased slightly by 4.5% from RMB70.0 million as of December 31, 2007 to RMB73.2 million as of December 31, 2008, and remained relatively unchanged at RMB74.2 million as of December 31, 2009. Our trade payables increased by 82.6% from RMB74.2 million as of December 31, 2009 to RMB135.5 million as of June 30, 2010. Our trade payables increased throughout the Track Record Period as we increased the purchase of raw materials to meet the needs of our increased sales volume. Our bills payables increased by 126.0% from RMB30.3 million as of December 31, 2007 to RMB68.4 million as of December 31, 2008, and increased by 29.9% to RMB88.9 million as of December 31, 2009. Our bills payables increased by 76.6% from RMB88.9 million as of December 31, 2009 to RMB157.0 million as of June 30, 2010. Our bills payables increased throughout the Track Record Period, as we took advantage of the relatively low cost of financing available from banks to finance our payables. As of August 31, 2010, RMB104.6 million of trade and bills payables as of June 30, 2010 had been settled.

### *Other Payables and Accruals*

Other payables and accruals primarily consist of payments for our expenditures related to the construction and outfitting of our production facilities, payments we make in connection with transportation charges, advance payments that some international customers make to us in advance of our shipments, and payroll and benefits for our employees and staff. Deferred government grants represent a subsidy from PRC government in relation to prepaid land lease payment as an encouragement to our capital investment. Deferred government grants will be amortized over the land lease term of 50 years.

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The following table sets forth payables and accruals data as of the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
<b>Payables and Accruals</b>				
Payables for purchase of items of property, plant and equipment . . .	15.6	19.8	20.3	15.6
Payable for purchase of prepaid land lease payment . . . . .	–	1.8	1.8	–
Withholding tax payable on dividend . . . . .	–	–	–	7.6
Advances from customers . . . . .	19.3	14.6	19.4	22.0
Accrued expenses . . . . .	19.1	14.8	18.3	22.1
Accrued payroll . . . . .	5.8	9.0	9.6	13.7
Value-added tax payable . . . . .	6.5	8.6	5.0	6.7
Deferred government grants . . . . .	28.4	27.8	30.4	30.2
Provision for social insurance and retirement benefits . . . . .	14.2	17.5	20.8	23.0
Other payables . . . . .	3.9	4.4	5.0	5.3
<b>TOTAL</b> . . . . .	<u>112.8</u>	<u>118.3</u>	<u>130.6</u>	<u>146.2</u>

The carrying amounts of other payables approximate to their fair values.

### LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity and capital resources have been and are expected to continue to be cash from our operating activities and various forms of financing including bank borrowings. In the past, we have also relied occasionally on loans from related parties, which we do not intend to continue after the Listing. We expect to increase our liquidity and capital resources from the proceeds of the Global Offering.

The following table sets forth certain information about our consolidated cash flows during the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Net cash generated from/(used in) operating activities . . . . .	30.2	178.4	(27.0)	96.8
Net cash used in investing activities . . . . .	(66.1)	(147.7)	(89.0)	(102.6)
Net cash generated from/(used in) financing activities . . . . .	36.9	(17.3)	123.5	42.4
Net (decrease)/ increase in cash and cash equivalents . . . . .	1.0	13.4	7.5	36.6
Cash and cash equivalents at beginning of year/period . . . . .	22.9	22.4	35.7	43.2
Net effect of foreign exchange rate changes . . . . .	(1.5)	(0.1)	–	(0.8)
Cash and cash equivalents at end of year/period . . . . .	<u>22.4</u>	<u>35.7</u>	<u>43.2</u>	<u>79.0</u>

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### *Cash Flow from/(used in) Operating Activities*

Our net cash inflow/(outflow) from operating activities represents profit before tax adjusted for non-cash items and movements in working capital.

Net cash generated from operating activities amounted to RMB96.8 million in the six months ended June 30, 2010. This was primarily attributable to our profit before tax of RMB150.0 million. In addition, our trade and bills payables increased by RMB129.4 million in connection with our increased purchases of raw materials during the period. These factors were offset by an increase in inventories of RMB130.8 million, as our increased sales volume lead to increased purchases of raw materials and an increase in the inventory of work in progress and finished goods, increases in trade and bills receivables of RMB96.5 million as a result of increased sales volume and an increase in prepayments, deposits and other receivables of RMB9.5 million.

Net cash used in operating activities amounted to RMB27.0 million in the year ended December 31, 2009, primarily attributable to profit before tax of RMB159.8 million, offset by increases in trade and bills receivables of RMB121.5 million as a result of the increase in sales volume during 2009, and in particular increased sales to telecommunications companies since the beginning of 2009, an increase in inventories of RMB82.1 million associated with our increased sales volume, which led to our increased purchases of raw materials and also an increase in our inventory of work-in-progress, and an increase in prepayments, deposits and other receivables of RMB15.7 million. Our trade and bills payable increased by RMB21.5 million in connection with our increased purchases of raw materials during the year, and other payables and advances from customers increased by RMB12.5 million, relating to increased sea freight and other transportation charges.

Net cash generated from operating activities amounted to RMB178.4 million in the year ended December 31, 2008. Our profit before tax was RMB87.7 million. In addition, we recorded a decrease in inventories of RMB56.2 million, as we made efforts to sell all finished goods in inventory prior to year end. In addition, our trade and bills payable increased by RMB41.3 million as we continued to purchase higher volumes of lead and other raw materials in connection with our increasing sale volume. Also contributing to cash from operating activities was an increase in balances with a director of RMB26.3 million, which resulted from the sale by the controlling shareholder of our Dongguan and Shenzhen subsidiaries to Jiangsu, which occurred in 2008, but for which we did not pay compensation in 2008. These increases in cash flow were partially offset by an increase in trade and bills receivable of RMB51.7 million, primarily related to our increased sales to telecommunications companies.

Net cash generated from operating activities amounted to RMB30.2 million in the year ended December 31, 2007. Our profit before tax was RMB53.9 million. In addition, we recorded an increase in trade and bills payable of RMB42.6 million, principally in connection with our purchases of lead, the price of which increased significantly throughout much of 2007. However, the increase in payables was more than offset by an increase in inventories of RMB62.4 million, also related to the increase in lead prices. In addition, trade and bills receivable increased by RMB31.8 million in connection with our increasing sales volume, and other payables and advances from customers decreased by RMB23.1 million.

### *Cash Flow from Investing Activities*

Net cash used in investing activities in the six months ended June 30, 2010 was RMB102.6 million, which consisted primarily of RMB50.0 million in purchases of plant, machinery and equipment, RMB16.8 million in the purchase of land use rights and an increase in pledged deposits in the aggregate amount of RMB35.1 million.

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## FINANCIAL INFORMATION

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Net cash used in investing activities in the year ended December 31, 2009 was RMB89.0 million, which consisted primarily of RMB84.4 million in purchases of equipment to outfit our Zhaoqing and Anhui production facilities. We also made small purchases of land during the year, amounting to RMB3.6 million.

Net cash used in investing activities in the year ended December 31, 2008 was RMB147.7 million, resulting primarily from RMB136.5 million used to construct our Zhaoqing and Anhui production facilities, and purchase equipment for them.

Net cash used in investing activities in the year ended December 31, 2007 was RMB66.1 million, consisting principally of funds used to construct our Zhaoqing and Anhui production facilities. In addition, we also spent a small amount of funds to expand operations at our Jiangsu production facility. Finally, we spent RMB2.9 million on small land purchases.

### *Cash Flow from Financing Activities*

Net cash provided by financing activities amounted to RMB42.4 million in the six months ended June 30, 2010. We received RMB227.0 million in connection with new bank loans during the period. This was offset in part by our repayment of debt in the amount of RMB105.0 million, interest payments of RMB9.6 million and dividends paid of RMB71.3 million.

Net cash provided by financing activities amounted to RMB123.5 million in the year ended December 31, 2009. We received RMB243.0 million in connection with new bank loans during the year, and RMB16.4 million in cash injections provided by our Controlling Shareholders. We also received an aggregate of RMB17.1 million in government grants as a result of our operating in a high technology industry and in certain selected areas in China. These receipts of funds were offset in part by our repayment of debt in the amount of RMB133.3 million, interest payments of RMB9.6 million and dividends paid of RMB10.1 million.

Net cash used in financing activities amounted to RMB17.3 million in the year ended December 31, 2008. We received RMB92.8 million in connection with new bank loans during the year, and RMB20.4 million in cash injections provided by our Controlling Shareholders. We also received of RMB7.2 million in government grants as a result of our operating in a high technology industry and in certain selected areas in China. These receipts of funds were more than offset by our repayment of debt in the amount of RMB94.4 million, interest payments of RMB8.3 million and dividends paid of RMB34.9 million.

Net cash provided by financing activities amounted to RMB36.9 million in the year ended December 31, 2007. We received RMB116.3 million in connection with new bank loans during the year, and RMB47.6 million in cash injections provided by our Controlling Shareholders. These receipts of funds were offset in part by our repayment of debt in the amount of RMB122.4 million and interest payments of RMB5.4 million.

## FINANCIAL INFORMATION

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

We have commitments regarding future lease payments as both a lessor and a lessee, which are summarized below in the following tables.

#### *As Lessee*

We lease certain of our office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to twenty years. We had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Within a year .....	6.5	4.0	3.5	4.9
In the second to fifth years, inclusive .....	11.0	10.7	10.1	13.8
After five years .....	36.6	31.0	28.5	26.7
<b>TOTAL</b> .....	<b>54.1</b>	<b>45.7</b>	<b>42.1</b>	<b>45.4</b>

#### *As Lessor*

We lease our staff quarters, office premises and land under operating lease arrangements, with leases negotiated for terms ranging from five to fifty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

We had total future minimum lease receivables under non-cancellable operating leases with our tenants falling due as follows:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Within a year .....	1.4	0.2	0.1	0.1
In the second to fifth years, inclusive .....	0.3	0.2	0.2	0.2
After five years .....	0.7	0.7	0.8	0.7
<b>TOTAL</b> .....	<b>2.4</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>

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### *Capital Commitments*

In addition to the operating lease commitments detailed above, we had the following capital commitments, which related primarily to our obligations to complete construction of, and purchase equipment and machinery for, our new production facilities at Zhaoqing and Anhui:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Contracted, but not provided for:				
Land and building .....	65.4	18.7	0.9	1.2
Plant and machinery .....	12.1	13.4	15.1	51.0
	<u>77.5</u>	<u>32.1</u>	<u>16.0</u>	<u>52.2</u>

### CAPITAL EXPENDITURES

The following table sets out our historical capital expenditures during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2007	2008	2009	2010
	(RMB in millions)			
<b>Historical Capital Expenditures</b>				
Property, plant and equipment .....	81.8	121.1	100.6	63.4
Prepaid land lease prepayments .....	20.1	2.0	3.6	15.0
Intangible assets .....	0.4	2.5	0.4	1.0
<b>TOTAL</b> .....	<u>102.3</u>	<u>125.6</u>	<u>104.6</u>	<u>79.4</u>

Our capital expenditures in 2007, 2008 and 2009 principally consisted of expenditures on construction in progress and property, plant and equipment for our new production facilities in Zhaoqing and Anhui. In addition, we incurred a small amount of capital expenditures in connection with the completion of our Jiangsu production facility. Our capital expenditures in the six months ended June 30, 2010 principally consisted of the land acquisition in Zhaoqing and purchase of additional production equipment.

The following table sets out our projected capital expenditures for each of the two years ending December 31, 2010 and 2011:

	Year ending December 31,	
	2010	2011
	(RMB in millions)	
<b>Projected Capital Expenditures</b>		
Property, plant and equipment .....	118.4	439.6
Construction in progress .....	92.6	198.7
<b>TOTAL</b> .....	<u>211.0</u>	<u>638.3</u>

## FINANCIAL INFORMATION

We expect that the capital expenditures planned for 2010 and 2011 will be primarily used for construction in progress and property, plant and equipment. Construction in progress and property, plant and equipment primarily represent projected capital expenditures for our new production facilities in Zhaoqing, Anhui and Jiangsu. The following table sets out our projected capital expenditures for our new production facilities in, among others, Zhaoqing, Anhui and Jiangsu for the two years ending December 31, 2011:

	Year ending December 31,	
	2010	2011
	(RMB in millions)	
<b>Production Facilities</b>		
Zhaoqing .....	38.5	271.8
Anhui .....	67.1	221.1
Jiangsu .....	64.0	20.4
Others .....	41.4	125.0
<b>TOTAL</b> .....	<b>211.0</b>	<b>638.3</b>

We expect to fund our projected capital expenditures principally through a portion of the net proceeds from the Global Offering, cash generated from our operating activities and proceeds from bank loans. Should the necessity for additional funds arise, we cannot assure you that we will be able to raise additional capital on terms acceptable to us or at all.

Our current plan with respect to future capital expenditures is subject to change based on the implementation of our business strategy and market conditions. As we continue to grow our business, we may incur additional capital expenditures.

### WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including internally generated funds, available banking facilities, and the estimated net proceeds of the Global Offering, the Company has sufficient working capital for our present requirements at least in the next 12 months commencing from the date of this prospectus.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we have not entered into any off-balance sheet transactions.

### INDEBTEDNESS

Our indebtedness consists of obligations to our lenders, including commercial banks and certain related party companies. The following table shows our total borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of August 31,
	2007	2008	2009	2010	2010
	(RMB in millions)				
<b>Borrowings</b>					
Interest-bearing bank borrowings...	65.2	63.6	173.3	295.3	334.6
Amount due to a Director .....	15.2	59.8	58.5	70.2	65.3
Amount due to related companies (non-trade) .....	1.6	3.5	1.9	7.5	8.7
<b>TOTAL</b> .....	<b>82.0</b>	<b>126.9</b>	<b>233.7</b>	<b>373.0</b>	<b>408.6</b>

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Bank borrowings consist of interest-bearing short term loans from commercial lenders at market rates, all of which are secured by pledges of certain of our assets including prepaid land lease payments, buildings, plant and machinery, trade and bills receivables and bank deposits. Amount due to related parties (non-trade) and an amount due to a Director are interest-free and unsecured. Amounts due to a Director increased significantly in 2008 as we purchased Shenzhen Leoch from a Director during the period. Total borrowings increased by RMB44.9 million, or 54.8%, from RMB82.0 million as of December 31, 2007 to RMB126.9 million as of December 31, 2008, by RMB106.8 million, or 84.2%, to RMB233.7 million as of December 31, 2009, and then by RMB139.3 million, or 59.6%, to RMB373.0 million as of June 30, 2010. The increase in total borrowings over the Track Record Period was primarily due to our increase in production volume and hence working capital requirements, particularly in 2009, as we obtained more bank borrowings to finance our operations. In addition, the increase in sales to telecommunication customers to whom we extend a longer credit period than with respect to sales in other industries resulted in an increase in our receivables turnover period and resulted in a need to obtain more bank borrowings to finance working capital. We have settled the non-trade nature amounts due to related companies and a Director with our internal resources and banking facilities subsequent to June 30, 2010.

The table below sets forth the maturity profiles of our bank borrowings as of the dates indicated:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
	(RMB in millions)			
Within 1 year .....	65.2	63.6	173.3	295.3

Our borrowings are denominated in RMB and U.S. dollars, and the effective interest rates of our bank and other borrowings as of December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 were 6.1% to 7.5%, 4.8% to 7.5%, 2.3% to 5.3% and 2.3% to 5.8%, respectively. As of December 31, 2008, one of our U.S. subsidiaries did not meet certain debt covenants with respect to bank loans in the amount of RMB5.5 million in relation to requirements on its liquidity ratio and the carrying amount of net tangible assets, due to our financial staff's oversight. These bank loans were accordingly classified as current liabilities on our consolidated statement of financial position. The loan was settled in full by the end of 2008. Except for this covenant breach by our U.S. subsidiary, as of the Latest Practicable Date, we had not breached any of the covenants in any of our loan agreements or any other agreement related to any of our borrowings. In order to ensure our continuing compliance, we have designated our general manager of finance who is a PRC qualified accountant with sufficient accounting background and experience in enterprise financial auditing and management to review loan covenants and requirements against our financial position and will recommend to our senior management appropriate actions if new undertakings may jeopardize our compliance. We have also set up a budgetary control system in September 2010 where our financial position, liquidity and various financial performance data will be regularly monitored.

As of August 31, 2010, we had banking facilities of approximately RMB746.6 million, of which RMB256.7 million were unutilized, RMB249.8 million of which will expire between February and August 2011.



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## FINANCIAL INFORMATION

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The following table sets out our gearing ratio for the Track Record Period:

	As of December 31,			As of June 30,
	2007	2008	2009	2010
			(%)	
Gearing ratio <sup>(1)</sup> .....	<u>12.5</u>	<u>16.0</u>	<u>21.4</u>	<u>25.6</u>

*Note:*

- (1) The gearing ratio is calculated by dividing total borrowings by total assets as of the end of each respective period, multiplied by 100%.

Our gearing ratio increased from 21.4% as of December 31, 2009 to 25.6% as of June 30, 2010 primarily due to the increase in our bank borrowings. Our gearing ratio increased from 16.0% as of December 31, 2008 to 21.4% as of December 31, 2009, as we increased our bank borrowing to take advantage of low interest rates. Our gearing ratio increased from 12.5% as of December 31, 2007 to 16.0% for the year ended December 31, 2008, primarily due to the increase in bank borrowings and loans from related parties to finance our expansion in 2008.

### CONTINGENT LIABILITIES

As of the Latest Practicable Date, we had no material contingent liabilities. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving our Company. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

We confirm that, other than as disclosed in this prospectus, there has been no material change in our indebtedness or contingent liabilities since June 30, 2010.

### QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

#### *Market Risk*

Our production process requires a significant amount of lead, ABS plastic, sulphuric acid and other materials, and our success depends significantly on our ability to secure sufficient and constant supply of principal raw materials for its production at acceptable price levels. Lead is the most significant raw material used in production. Average purchase price of lead fluctuated significantly during the Track Record Period. We do not have long-term, fixed-cost supply contracts of raw materials with our suppliers. Since many of our sales contracts are priced by reference to the market price of lead at the time of a particular order, its exposure to the risk of changes in price of lead is reduced.

#### *Foreign Exchange Risk*

We operate in Hong Kong, the United States and the PRC. For our companies in China, their principal activities are transacted in RMB. For other companies outside of China, their principal activities are transacted in U.S. dollars. We do not enter into any hedging transactions to manage the potential fluctuation in foreign currency as our Directors believe that we do not have significant foreign currency risk exposure.

However, as a result of our revenue being denominated in RMB, the conversion of the revenue into foreign currencies in connection with expense payments is subject to PRC regulatory restrictions on currency conversion. The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, change in China's political and economic conditions.

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## FINANCIAL INFORMATION

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### *Interest Rate Risk*

Our exposure to interest rate risks comes from our bank borrowings. As of December 31, 2009 and June 30, 2010, interest-bearing bank borrowings of RMB173.3 million and RMB295.3 million, respectively, were denominated in Renminbi at fixed interest rates that are subject to adjustment by our lenders in accordance with changes in relevant PBOC regulations. We have not entered into any interest rate hedging contracts or any other derivative financial instruments in order to manage our interest rate exposure. Since our bank loans bear fixed interest and are due within one year, we believe our exposure to the risk of changes in market interest rates is low.

### *Credit Risk*

Our cash is deposited principally with banks in the PRC. Our credit risk is related to our trade and other receivables from our customers. We trade only with recognized and creditworthy customers. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, therefore, we believe our exposure to bad debts is not significant.

With respect to credit risk arising from our other financial assets, which comprise cash and bank balances and pledged deposits, deposits and other receivables and amounts due from related companies, our exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. We have no other financial assets that carry significant exposure to credit risk. We have not experienced any material losses as a result of our customers' default in their payment obligations during the Track Record Period, nor have we experienced losses from default by counterparties on our financial assets.

### *Liquidity Risk*

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. In addition, banking facilities have been put in place for contingency purposes.

## **PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2010**

Forecast consolidated profit attributable to owners

of the Company<sup>(1)</sup> . . . . . not less than RMB253.6 million  
(equivalent to approximately HK\$290.7 million)

Unaudited pro forma forecast earnings per Share<sup>(2)</sup> . . . . . not less than RMB19.0 cents  
(equivalent to approximately HK\$21.8 cents)

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#### *Notes:*

- (1) The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this prospectus.
- (2) The calculation of the forecast earnings per Share on an unaudited pro forma basis is based on the forecast consolidated profit attributable to owners of our Company for the year ending December 31, 2010, assuming that we had been listed since January 1, 2010 and a total of 1,333,334,000 Shares had been issued and outstanding during the entire year.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had been taken place on June 30, 2010 and based on our audited consolidated net tangible assets attributable to the owners of our Company as at June 30, 2010 as shown in the Accountants' Report set forth in Appendix I to this prospectus and is adjusted as follows:

	Audited consolidated net tangible assets attributable to owners of our Company as at June 30, 2010 <sup>(1)</sup>	Estimated net proceeds from the Global Offering <sup>(2)</sup>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company <sup>(3)</sup>	Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(4)</sup>	
	RMB in millions	RMB in millions	RMB in millions	RMB	HK\$ <sup>(5)</sup>
Based on Offer Price of HK\$3.75 per Offer Share .....	484.2	1,008.7	1,492.9	1.12	1.28
Based on Offer Price of HK\$5.35 per Offer Share .....	484.2	1,457.7	1,941.9	1.46	1.67

*Notes:*

- (1) The consolidated net tangible assets attributable to owners of the Company as of June 30, 2010, was determined as follows:

	RMB in millions
Audited consolidated net assets of our Company as set out in Appendix I .....	487.7
Less: Other intangible assets as set out in Appendix I .....	3.5
Consolidated net tangible assets attributable to owners of the Company .....	484.2

- (2) The estimated net proceeds from the Global Offering are based on the offer price of HK\$3.75 per share and HK\$5.35 per share after deduction of the underwriting fees and other related expenses payable by the Company, and do not take into account of any shares which may be issued upon the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme. The estimated net proceeds from the Global Offering are converted at the PBOC Rate from Hong Kong dollars into Renminbi at an exchange rate of RMB0.8724 to HK\$1.00 prevailing on June 30, 2010.
- (3) Details of the valuations of our Company's properties as at August 31, 2010 are set out in "Appendix IV-Property Valuation" in this prospectus. The revaluation surplus or deficit of properties included in buildings held for own use, assets under construction, land use rights and investment properties will not be incorporated in our Company's financial statements for the year ending December 31, 2010. If such revaluation surplus is incorporated in our Company's financial statements for the year ending December 31, 2010, the annual depreciation charges would increase by approximately RMB2.5 million.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 1,333,334,000 Shares (being the number of shares expected to be in issue immediately after completion of the Global Offering, without taking into account of any shares which may be issued upon the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme) are issued and outstanding during the six-month period ended June 30, 2010. If the options granted under the Pre-IPO Share Option Scheme are exercised in full, the unaudited pro forma adjusted consolidated net tangible assets per Share will increase.
- (5) The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8724 to HK\$1.00, the PBOC Rate prevailing on June 30, 2010. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

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## FINANCIAL INFORMATION

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### DIVIDEND AND DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends requires the approval of the Board and will be at its discretion. In addition, any final dividend for a financial year is subject to shareholders' approval. The Board reviews dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- the payment by our subsidiaries of cash dividends to us;
- our results of operations;
- our cash flows and liquidity position;
- statutory and regulatory restrictions;
- our shareholders' interests;
- general business conditions and strategies;
- our capital requirements; and
- other factors the Board may deem relevant.

Our Company was incorporated on April 27, 2010 and no dividend has been declared or paid by our Company as of the Latest Practicable Date.

On April 6, 2010, Anhui Leoch Battery, based on its distributable profit as of March 31, 2010, declared a dividend of RMB36.3 million to its then shareholder, Uplus. On April 20, 2010, Jiangsu Leoch, based on its distributable profit as of March 31, 2010, declared a dividend of RMB111.4 million to its then shareholder, D&P. In determining the amount of these dividends, we took into consideration the cash flow and operational needs of Anhui Leoch Battery and Jiangsu Leoch, and believed they were sufficient to support these dividends. On the dates such dividends were declared, Anhui Leoch Battery and Jiangsu Leoch were owned and controlled by Mr. Dong through his ownership and control of Uplus and D&P. Therefore, the interests of our Company with respect to these two subsidiaries were aligned before and after Reorganization, and we believe the dividend distribution was in the interests of our Controlling Shareholders and the development of our Company. As of the Latest Practicable Date, total dividends of RMB147.7 million were fully paid by Anhui Leoch Battery and Jiangsu Leoch with their internal resources. Our Directors believe that these dividends were designated to distribute to Mr. Dong a reasonable return on the fruits of his investment in and contribution to our Company over the last 10 years. Taking into consideration the financial resources presently available to us, including cash generated from operations, available loans and banking facilities, and the estimated net proceeds of the Global Offering, our Directors are of the opinion that we have sufficient working capital for our present requirements and for at least in the next 12 months commencing from the date of this prospectus.

As a holding company, our ability to pay dividends depends substantially on the payment of dividends to us by our subsidiaries in China. In particular, our PRC subsidiaries may pay dividends only out of their accumulated distributable profits, if any, determined in accordance with their articles of association, and the accounting standards and regulations in China. Moreover, pursuant to relevant PRC laws and regulations applicable to our subsidiaries in the PRC, our PRC subsidiaries are required to set aside a certain amount of their accumulated after tax profits each year, if any, to fund statutory reserves. These reserves may not be distributed as cash dividends. Certain of our subsidiaries have incurred debt in their own name and may do so again in the future. The instruments governing the debt may require the lenders' consent prior to the subsidiaries declaring dividends, or otherwise restrict dividends or other distributions by such subsidiaries to us.

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### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in this prospectus, the Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favorable to us than terms available to independent third parties and were fair and reasonable and in the interest of our Company and our Shareholders as a whole. For a discussion of related party transactions, please see notes 23, 24 and 35 to our Accountants' Report in Appendix I to this prospectus.

### DISTRIBUTABLE RESERVES

Our Company was incorporated on April 27, 2010 and is an investment holding company. There were no reserves available for distribution to the Shareholders as of June 30, 2010.

### PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as of August 31, 2010 and is of the opinion that the value of our property interests as of such date was an aggregate amount of RMB274.2 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix IV to this prospectus.

The table below sets forth the reconciliation of the aggregate amount of net book value of our property interests from our consolidated financial information as of June 30, 2010 with the valuation of our property interests as of August 31, 2010 as set out in Appendix IV to this prospectus:

	<b>RMB in millions</b>
Valuation of properties (including the lease prepayments (land use rights)) we owned as of August 31, 2010 as set out in the property valuation in Appendix IV to this prospectus .....	274.2
Add: Capital value of the properties without building ownership certificates or real estate title certificates ( <i>note</i> ) .....	<u>8.5</u>
Valuation of properties (including the lease prepayments (land use rights)) we owned as of August 31, 2010 .....	<u>282.7</u>
Net book value of the following properties as of June 30, 2010 as set out in Appendix I to this prospectus	
– Buildings .....	198.8
– Lease prepayments (land use rights) .....	<u>57.8</u>
Net book value as of June 30, 2010 .....	256.6
Less: Depreciation/amortization during the period from July 1 to August 31, 2010 .....	1.9
Net book value as of August 31, 2010 .....	<u>254.7</u>
Net valuation surplus .....	<u>28.0</u>

*Note:*

As of the date of valuation, we had not obtained building ownership certificates or real estate title certificates for 33 properties, therefore Jones Lang LaSalle Sallmanns Limited attributed no commercial value to these properties. However, Jones Lang LaSalle Sallmanns Limited is of the opinion that the capital value of these properties as of the date of valuation would be RMB8.5 million, on condition that we are the registered owner of these properties and are entitled to freely transfer, lease, mortgage or otherwise dispose of these properties.

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### **DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES**

We confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

### **DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2010, and there is no event since June 30, 2010 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See “Our Business—Our Strategies” for a detailed description of our future plans.

### USE OF PROCEEDS

We estimate that we will receive net proceeds of the Global Offering (after deduction of underwriting fees and estimated expenses payable in relation to the Global Offering, assuming an Offer Price of HK\$4.55 per Share, which is the mid-point of the proposed Offer Price range of HK\$3.75 to HK\$5.35 per Share) of approximately HK\$1,413.6 million assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- approximately 60% of net proceeds to us (approximately HK\$848.2 million) for expansion of our production capacity. We have recently acquired a parcel of land near our Anhui production facility for which we intend to use for the production of our battery products. We also plan to add, in 2011 and 2012, more production lines at our Zhaoqing, Anhui and Jiangsu production facilities. We plan our capacity additions based on our business expansion plans and estimated market demand;
- approximately 10% of net proceeds to us (approximately HK\$141.4 million) for research and development of new products using new technologies, particularly spiral pure lead technology, and for improving existing products and technologies, such as TPPL and tubular gel technologies. We plan to use approximately HK\$35.0 million to build a new research facility by 2012, and the rest of the net proceeds to hire more research personnel, and purchase research-related equipment and materials;
- approximately 10% of net proceeds to us (approximately HK\$141.4 million) for expansion of our sales channels in China and internationally. We intend to increase the size of our sales team, expand our sales operations to new locations in China and the United States, and develop our sales operations in the U.K. and Singapore in the next two years. We also plan to set up sales offices and/or warehouses in strategic locations in South America, Africa and other Asian regions;
- approximately 10% of net proceeds to us (approximately HK\$141.4 million) for potential acquisitions that expand our sales channels or provide access to new technology. As of the Latest Practicable Date, we have not identified any targets nor entered into any letters of intent or agreements in relation to any potential acquisitions; and
- approximately 10% of the net proceeds to us (approximately HK\$141.4 million) for working capital and other general corporate purposes.

If the Offer Price is set at the high end of the proposed Offer Price range, we estimate that we will receive an aggregate net proceeds of approximately HK\$1,670.9 million. If the Offer Price is set at the low end of the proposed Offer Price range, we estimate that we will receive an aggregate net proceeds of approximately HK\$1,156.3 million. In the event that the Over-allotment Option is exercised in full, we will receive an aggregate net proceeds ranging from approximately HK\$1,337.2 million (assuming an Offer Price of HK\$3.75 per Share, being the low end of the proposed Offer Price range) to HK\$1,929.1 million (assuming an Offer Price of HK\$5.35 per Share, being the high end of the proposed Offer Price range). The above allocation of the net proceeds will be adjusted on a pro rata basis, in the event the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range.

To the extent that our net proceeds from the Global Offering are not immediately required for the above purposes, we intend to deposit the proceeds in interest-bearing bank accounts with banks and/or other authorized financial institutions or to hold the proceeds in money-market instruments such as treasury bills, commercial paper and bankers' acceptances with authorized financial institutions.

We will issue an announcement if there is any material change in the above proposed uses of proceeds.

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## UNDERWRITING

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### UNDERWRITERS

#### *Public Offer Underwriters*

##### **Joint Lead Managers**

Citigroup Global Markets Asia Limited  
BOCI Asia Limited

#### *International Underwriters*

##### **Joint Lead Managers**

Citigroup Global Markets Limited  
BOCI Asia Limited

##### **Co-Lead Managers**

DBS Asia Capital Limited  
Taifook Securities Company Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### *Public Offer*

##### **Public Offer Underwriting Agreement**

Pursuant to the Public Offer Underwriting Agreement, our Company is offering initially 33,334,000 Public Offer Shares (subject to adjustment) for subscription by way of Public Offer at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Public Offer Shares now being offered and which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

##### **Grounds for Termination**

The obligations of the Public Offer Underwriters to subscribe or procure subscriptions for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into force:
  - (i) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, or any jurisdiction in which our Company operates or has or is deemed by any applicable Law to have a presence (by whatever name called) (each a “Relevant Jurisdiction”); or
  - (ii) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions



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## UNDERWRITING

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- (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system or matters and/or disaster (including, without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States) affecting any Relevant Jurisdiction; or
- (iii) any change or development in the conditions of Hong Kong or international equity securities or other financial markets; or
  - (iv) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemic, outbreak of an infectious disease, civil commotion, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency or war, riot, public disorder, economic sanctions or acts of God) in or affecting any Relevant Jurisdiction; or
  - (v) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or any Relevant Jurisdiction; or
  - (vi) (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Cayman Islands, Hong Kong, Japan or the PRC declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
  - (vii) any material adverse change or development involving a prospective material adverse change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction materially adversely affecting an investment in the Shares; or
  - (viii) any change or development involving a prospective change on the condition, financial or otherwise, or in the earnings, business affairs, business prospects or trading position of our Group; or
  - (ix) any 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
  - (x) the commencement by any regulatory body of any public action against any executive Director in his or her capacity as such or an announcement by any regulatory body that it intends to take any such action;
  - (xi) a material contravention by any member of the Group of a material provision of the Companies Ordinance or companies law of Cayman Islands or the Listing Rules; or
  - (xii) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplementary prospectus, Application Form, preliminary or final offering circular pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed would, in the sole opinion of the Sole Global Coordinator, materially and adversely affect the marketing for or implementation of the Global Offering; or
  - (xiii) any material adverse change or development involving a reasonably likely material adverse change of any of the risks set out in the section headed “Risk Factors” in this prospectus; or

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## UNDERWRITING

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(xiv) a petition 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 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;

and which, in any such case and in the sole opinion of the Sole Global Coordinator (for themselves and on behalf of the other Public Offer Underwriters),

- (A) is or will be or is reasonably likely to be materially adverse to, or materially and prejudicially affect, the general affairs or the business or financial or trading condition or prospects of our Company and its subsidiaries taken as a whole; or
  - (B) has or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable, inexpedient or inadvisable for any part of the Public Offer Underwriting Agreement, the Public Offer or the Global Offering to be performed or implemented as envisaged; or
  - (C) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Public Offer and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (b) there has come to the notice of the Sole Global Coordinator or any of the Public Offer Underwriters:
- (i) that any statement contained in this prospectus, the Application Forms, the formal notice or any announcements in the agreed form issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any material respect, or any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
  - (ii) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of the prospectus, not having been disclosed in the prospectus, constitutes a material omission therefrom; or
  - (iii) any of the respective warranties given by our Company or the Controlling Shareholders in the Public Offer Underwriting Agreement is (or might when repeated be) being untrue or misleading or inaccurate in any material respect; or
  - (iv) any event, act or omission which gives or may give rise to any material liability of our Company or the Controlling Shareholders pursuant to the respective indemnities given by our Company or the Controlling Shareholders under the Public Offer Underwriting Agreement; or
  - (v) any material breach of any of the respective obligations of our Company or the Controlling Shareholders under the Public Offer Underwriting Agreement; or
  - (vi) any material adverse change or prospective material adverse change in the assets, liabilities, conditions, profits, losses, business, properties, results of operations, in the financial or trading position or prospects or performance of our Company and its subsidiaries taken as a whole; or
  - (vii) any material litigation or claim being threatened or instigated against our Company or any of its subsidiaries; or

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## UNDERWRITING

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- (viii) any of our reporting accountants, our environmental consultant, our industry consultant, our property valuer or any of our counsels has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (ix) approval for the listing of and permission to deal in the Shares on the Hong Kong Stock Exchange is refused or not granted, other than subject to customary conditions, on or before the date immediately before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (x) our Company withdraws any of this prospectus, the Application Forms, the preliminary offering circular or the final offering circular or the Global Offering;

then the Sole Global Coordinator may, in its sole and absolute discretion, on behalf of the Public Offer Underwriters, terminate the Public Offer Underwriting Agreement with immediate effect.

### **Undertakings**

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain prescribed circumstances which includes the issue of Shares pursuant to the Pre-IPO Share Option Scheme.

Pursuant to the Public Offer Underwriting Agreement, we have undertaken to the Sole Global Coordinator, the Sole Sponsor and the Public Offer Underwriters that, except pursuant to the Global Offering we will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Public Offer Underwriters), at any time from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date:

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or 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, conditionally or unconditionally, or repurchase any of our share capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or securities or any interest therein); or
- (ii) 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 share capital or securities or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree to enter into, any such transaction described in paragraphs (i), (ii) or (iii) above; whether any such transaction described in clauses (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities, in cash or otherwise.

Similar undertakings are expected to be given by us to the International Underwriters under the International Underwriting Agreement.

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## UNDERWRITING

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Our Controlling Shareholders have undertaken with the Sole Global Coordinator and the Public Offer Underwriters that, except pursuant to (A) the Global Offering, (B) the Over-allotment Option or (C) if applicable, stock borrowing arrangements that may be entered into with the Stabilizing Manager (or its agent), our Controlling Shareholders will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Public Offer Underwriters), at any time:

- (1) 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 the Shares, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of) the Shares, either directly or indirectly, conditionally or unconditionally, or cause us to repurchase any of our share capital or our other securities or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, owned directly by our Controlling Shareholders (including holding as a custodian) or with respect to which our Controlling Shareholders have beneficial ownership) (collectively the “Lock-up Shares”) (the foregoing restriction is expressly agreed to preclude our Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than our Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or
- (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
- (3) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (4) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) or (iii) above, whether any such transaction described in (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

The lock-up period will commence on the date of the Public Offer Underwriting Agreement up to and including the date falling 18 months after the Listing Date.

In accordance with Rule 10.07(1)(a) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange that except pursuant to the Global Offering or the Over-allotment Option, (i) it will not, at any time during the period commencing from the Listing Date, and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and (ii) it will not, at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be the controlling shareholder (as defined under the Listing Rules) of our Company.

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## UNDERWRITING

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Note (2) of Rule 10.07 of the Listing Rules provides that the rule does not prevent a controlling shareholder (as defined under the Listing Rules) from using the shares owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of our Controlling Shareholders has further undertaken to the Stock Exchange that it will, within a period of 12 months from the Listing Date, immediately inform us and the Stock Exchange of:

- (a) any pledges or charges of any Shares or securities of our Company beneficially owned by it in favor of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and
- (b) any indication received by he/it, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders or their shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders or their shareholders.

### *International Offering*

#### **International Underwriting Agreement**

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with our Controlling Shareholders, the International Underwriters and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors will be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company will give undertakings similar to as those given pursuant to the Public Offer Underwriting Agreement as described in “—Underwriting Arrangements and Expenses—Public Offer—Undertakings”.

Under the International Underwriting Agreement, our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Stabilizing Manager (or its agent), for the accounts of the Sole Global Coordinator, on behalf of the International Underwriters at any time from the Listing Date, up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Public Offer, to require our Company to issue up to an aggregate of 50,000,000 Shares, representing in aggregate approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be issued at the Offer Price.

It is expected that our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to such undertakings given by it pursuant to the Public Offer Underwriting Agreement, which is described in “—Underwriting Arrangements and Expenses—Public Offer—Undertakings”.

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## UNDERWRITING

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### **UNDERWRITING COMMISSION AND EXPENSES**

The Public Offer Underwriters will receive a gross commission of 3.0% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Public Offer Underwriters. The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued in the Global Offering. Our Company may also in our sole discretion pay either or both of the Joint Bookrunners an additional incentive fee of up to 0.5% in the aggregate of the sale proceeds of the offer of Shares offered by us under the Global Offering.

### **PUBLIC OFFER UNDERWRITERS' INTERESTS IN OUR COMPANY**

Save as disclosed in this prospectus and other than pursuant to the Public Offer Underwriting Agreement, none of the Public Offer Underwriters has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Following the completion of the Global Offering, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Public Offer Underwriting Agreement.

### **SOLE SPONSOR'S INDEPENDENCE**

An affiliate to the Sole Sponsor has provided certain credit facilities to certain subsidiaries of our Company in the aggregate amount of approximately RMB101.1 million, of which approximately RMB98.6 million has been utilized as of the Latest Practicable Date (the "Citi Loans"). None of the intended proceeds of Global Offering will be used by our Company to repay the Citi Loans. Save as disclosed in this prospectus and as far as the Sole Sponsor is aware, the Sole Sponsor or its affiliates do not have any other current business relationships with or provide any credit facilities or guarantees to our Group (other than as acting as Sole Sponsor to our Company) or the substantial shareholders of our Company which would reasonably be considered to affect the independence of the Sole Sponsor in performing its duties as set out in the Listing Rule 3A.07.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Public Offer as part of the Global Offering. Citigroup Global Markets Asia Limited is the Sole Global Coordinator and Sole Sponsor of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- (i) the Public Offer of 33,334,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the section headed “Structure of the Global Offering—The Public Offer”; and
- (ii) the International Offering of 300,000,000 Shares (subject to adjustment as mentioned below) in the United States with QIBs in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, and outside the United States in offshore transactions in accordance with Regulation S.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. In other words, you may only receive Offer Shares under either the International Offering or the Public Offer, but not under both of these methods. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in accordance with Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Public Offer Shares and International Offer Shares to be offered under the Public Offer and the International Offering respectively may be subject to reallocation as described in the section headed “Structure of the Global Offering—Pricing and Allocation” below.

### PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around November 9, 2010 and in any event, no later than November 14, 2010.

The Offer Price will be not more than HK\$5.35 per Share and is expected not to be less than HK\$3.75 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be lower than the indicative Offer Price range stated in this prospectus.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) considers it appropriate, the number of Offer Shares being offered under the Global Offering that is stated in this prospectus and/or if appropriate, the indicative Offer Price range that is stated in Application Forms may be reduced at any time on or prior to the morning of the last day for lodging applications under the Public Offer. 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

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## STRUCTURE OF THE GLOBAL OFFERING

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Public Offer on November 8, 2010 cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants under the Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in the Application Forms.

The Public Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Public Offer and International Offering at the discretion of the Sole Global Coordinator.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the listing of the Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole.

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Although the allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The applicable Offer Price, level of applications in the Public Offer, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Public Offer Shares are expected to be announced on Monday, November 15, 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.leoch.com](http://www.leoch.com).

### CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Public Offer Shares pursuant to the Public Offer will be conditional on:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme) (subject only to allotment and dispatch of the share certificates in respect thereof and such other normal conditions acceptable to the Company and the Sole Global Coordinator, on behalf of the Underwriters) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;



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## STRUCTURE OF THE GLOBAL OFFERING

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- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective 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 the date which is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by November 14, 2010 between the Joint Bookrunners (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Public Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Public Offer and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on November 15, 2010 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Tuesday, November 16, 2010, if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in “Underwriting—Underwriting Arrangements and Expenses—Public Offer—Grounds for Termination” in this prospectus has not been exercised.

### THE PUBLIC OFFER

Our Company is initially offering 33,334,000 Shares at the Offer Price under the Public Offer, representing approximately 10% of the 333,334,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of our total issued share capital immediately after completion of the Global Offering. In Hong Kong, individual retail investors are expected to apply for Public Offer Shares through the Public Offer and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Public Offer Shares.

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## STRUCTURE OF THE GLOBAL OFFERING

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The Offer Price will not be more than HK\$5.35 and is expected to be not less than HK\$3.75. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$5.35 per Share plus brokerage of 1% SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than the maximum Offer Price, we will refund the respective difference (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

For allocation only, the 33,334,000 Shares initially being offered for subscription under the Public Offer will be divided equally into two pools: Pool A and Pool B, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 33,334,000 Shares initially comprised in the Public Offer (that is 16,667,000 Public Offer Shares) are liable to be rejected. Each applicant under the Public Offer 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 indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant’s application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of Shares between the Public Offer and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares available under the Public Offer, the total number of Offer Shares available under the Public Offer will be increased to 100,000,000, 133,334,000 and 166,668,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as “Mandatory Reallocation”. In such cases, the number of Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Shares will be allocated to Pool A and Pool B.

If the Public Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate. In addition to any Mandatory Reallocation which may be required, the Sole Global Coordinator may, at its discretion, reallocate Shares initially allocated for the International Offering to the Public Offer to satisfy valid applications in Pool A and Pool B under the Public Offer, regardless of whether the Mandatory Reallocation is triggered. References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE INTERNATIONAL OFFERING

The number of International Offer Shares to be initially offered for subscription or sale under the International Offering will be 300,000,000 Shares (subject to adjustment and the Over-allotment Option), representing approximately 90% of the Offer Shares initially available under the Global Offering. The International Offering is subject to the Public Offer being unconditional, and the number of International Offer Shares is subject to re-allocation of the Offer Shares between the International Offering and the Public Offer. As of the date of this prospectus, our Controlling Shareholders hold Shares representing 100.0% of our issued share capital. Immediately following completion of the Global Offering, our Controlling Shareholders will hold approximately 75.0% of the issued share capital of our Company assuming no exercise of the Over-allotment Option.

Pursuant to the International Offering, the International Underwriters will conditionally place the Shares with QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, as well as with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in accordance with Regulation S. The International Offering is subject to the Public Offer being unconditional.

Our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator at its sole and absolute discretion on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Public Offer. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Sole Global Coordinator will have the right to require our Company to issue up to 50,000,000 additional Shares representing 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price.

### OVER-ALLOCATION AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Citigroup Global Markets Asia Limited, as Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Public Offer. Any market purchases of Shares will be affected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 50,000,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the Securities and Futures Ordinance includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it, may, in connection with the 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 Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager 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 will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on December 8, 2010, being the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period 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, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period. In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 50,000,000 Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

### STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilizing Manager or any person acting for it may choose to borrow Shares from Master Alliance, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Master Alliance will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option;

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## STRUCTURE OF THE GLOBAL OFFERING

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- the maximum number of Shares borrowed from Master Alliance under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Master Alliance or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Master Alliance by the Stabilizing Manager or its authorized agents in relation to such stock borrowing arrangement.

### DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, November 16, 2010, it is expected that dealings in Shares on the Stock Exchange will commence at 9:30 a.m. on Tuesday, November 16, 2010.

### UNDERWRITING ARRANGEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement, subject to agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters) and our Company on the Price Determination Date.

We expect that our Company will, on or about November 9, 2010, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

The terms of the underwriting arrangements, the Public Offer Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed “Underwriting” in this prospectus.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### WHO CAN APPLY FOR PUBLIC OFFER SHARES

You can apply for the 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 legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Public Offer Shares by means of **WHITE Form eIPO**, in addition to the above, 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**.

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 Sole Global Coordinator (or its respective 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.

We, the Sole Global Coordinator, or the designated **WHITE Form eIPO** Service Provider (where applicable) or our respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

### CHANNELS TO APPLY FOR PUBLIC OFFER SHARES

You may apply for Public Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form;
- apply online through the designated website of the **WHITE Form eIPO** Service Provider, referred to herein as the "**WHITE Form eIPO**" service; or
- **electronically instructing** HKSCC to cause HKSCC Nominees to apply for Public Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or you and 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 applying online through **WHITE Form eIPO** Service or by giving **electronic application instructions** to HKSCC.

### WHICH APPLICATION CHANNEL YOU SHOULD USE

- Use a **WHITE** Application Form if you want the Public Offer Shares to be registered in your own name.
- Instead of using a **WHITE** Application Form, you may apply for the Public Offer Shares by means of **WHITE Form eIPO** by submitting applications online through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). Use **WHITE Form eIPO** if you want the Public Offer Shares to be registered in your own name;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- Use a **YELLOW** Application Form if you want the Public Offer Shares to be registered 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;
- Instead of using a **YELLOW** Application Form, you may **electronically instruct** HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered 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 Wednesday, November 3, 2010 until 12:00 noon on Monday, November 8, 2010 from:

*Any of the Following Addresses of the Public Offer Underwriters*

Citigroup Global Markets Asia Limited	50th Floor, Citibank Tower 3 Garden Road, Central Hong Kong
BOCI Asia Limited	26th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong

or any of the following branches of Bank of China (Hong Kong) Limited and Standard Chartered Bank (Hong Kong) Limited:

#### **Bank of China (Hong Kong) Limited**

	Branch Name	Address
Hong Kong Island .....	Bank of China Tower Branch	3/F, 1 Garden Road
	Connaught Road Central Branch	13-14 Connaught Road Central
	Taikoo Shing Branch	Shop G1006, Hoi Shing Mansion, Taikoo Shing
Kowloon.....	Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan
	Festival Walk Branch	Unit LG256, Festival Walk, Kowloon Tong
	Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
New Territories .....	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Standard Chartered Bank (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island .....	Central Branch	Shop No.16, G/F and Lower G/F, New World Tower, 16-18 Queens Road Central, Central, Hong Kong
	Henessey Road Branch	399 Henessey Road, Wan Chai, Hong Kong
	North Point Centre Branch	North Point Centre, 284 King's Road, North Point, Hong Kong
Kowloon.....	Mong Kok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mong Kok, Kwoloon
	Kwun Tong Branch	1A Yue Man Square, Kwun Tong, Kowloon
	Cheung Sha Wan Branch	828 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon
New Territories .....	Tsuen Wan Branch	Shop C, G/F, 1/F, Jade Plaza, No.298 Sha Tsui Road, Tsuen Wan, New Territories
	Yuen Long Branch	140 Yuen Long Main Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, November 3, 2010 to 12:00 noon on Monday, November 8, 2010 from:

- the depository counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this prospectus available.

### WHEN TO APPLY FOR THE PUBLIC OFFER SHARES

#### *WHITE or YELLOW Application Forms*

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Monday, November 8, 2010, or, if the application lists are not open on that day, by the time and date stated in the section headed “Effect of Bad Weather Conditions on the Opening of the Application Lists” below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the banks listed in the section headed “Where to Collect the Application Forms” at the following times:

<b>Wednesday, November 3, 2010</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Thursday, November 4, 2010</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Friday, November 5, 2010</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Saturday, November 6, 2010</b>	—	<b>9:00 a.m. to 1:00 p.m.</b>
<b>Monday, November 8, 2010</b>	—	<b>9:00 a.m. to 12:00 noon</b>



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### *Electronic Application Instructions to HKSCC*

CCASS Clearing/Custodian Participants should input **electronic application instructions** via CCASS at the following times:

<b>Wednesday, November 3, 2010</b>	—	<b>9:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Thursday, November 4, 2010</b>	—	<b>8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Friday, November 5, 2010</b>	—	<b>8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Saturday, November 6, 2010</b>	—	<b>8:00 a.m. to 1:00 p.m.<sup>(1)</sup></b>
<b>Monday, November 8, 2010</b>	—	<b>8:00 a.m.<sup>(1)</sup> to 12:00 noon</b>

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*Note:*

- (1) These times are 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 Wednesday, November 3, 2010 until 12:00 noon on Monday, November 8, 2010 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Monday, November 8, 2010 or if the Application Lists are not open on that day, by the time and date stated in the section headed “Effect of Bad Weather Conditions on the Opening of the Application Lists” below.

### ***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](http://www.eipo.com.hk) from 9:00 a.m. on Wednesday, November 3, 2010 until 11:30 a.m. on Monday, November 8, 2010 or such later time as described under the section headed “Effect of bad weather conditions on the opening of the application lists” 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 Monday, November 8, 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 section headed “Effect of bad weather conditions on the opening of the application lists” 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](http://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.

### ***Application Lists***

The application lists will be opened from 11:45 a.m. to 12:00 noon on Monday, November 8, 2010, except as provided in the section headed “—Effect of Bad Weather Conditions on the Opening of the Application Lists” below. No proceedings will be taken on applications for the Public Offer Shares and no allocation of any such Shares will be made later than Monday, November 8, 2010.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### *Effect of Bad Weather Conditions on the Opening of the Application Lists*

The Application Lists will be opened between 11:45 a.m. and 12:00 noon on Monday, November 8, 2010, subject only to weather conditions. The application lists will not open in relation to the Public Offer if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, November 8, 2010. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

### HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

#### *Obtain a WHITE or YELLOW Application Form*

You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying check(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 on your Application Form.

Decide how many Public Offer Shares you want to subscribe. Calculate the amount you must pay on the basis of the maximum Offer Price of HK\$5.35 per Public Offer Share, plus brokerage fee of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. This means that for every 1,000 Shares you will pay HK\$5,403.93. The Application Forms have tables showing the exact amount payable for certain numbers of shares up to 16,667,000 Shares (as indicated on the **WHITE** and **YELLOW** Application Forms). Your application must be for a minimum of 1,000 Shares. Application for more than 1,000 Shares must be in one of the number of Shares set out in the table in the respective Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorized attorney, our Company and the Sole Global Coordinator (or their respective agents or nominees), may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

Each Application Form must be accompanied by either one check or one banker’s cashier order.

If you pay by check, the check must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the check, or be endorsed on the back by a person authorized by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- be made payable to “**Bank of China (Hong Kong) Nominees Limited – Leoch International Public Offer**”; and
- be crossed “Account Payee Only”.

Your application is liable to be rejected if your check does not meet all these requirements or is dishonored on its first presentation.

If you pay by banker’s cashier order the banker’s cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorized by the bank. The name on the back of the banker’s cashier order and the name on the Application Form must be the same. If it 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 joint applicant;
- be in Hong Kong dollars;
- not be post-dated;
- be made payable to “**Bank of China (Hong Kong) Nominees Limited – Leoch International Public Offer**”; and
- be crossed “Account Payee Only”.

Your application is liable to be rejected if your banker’s cashier order does not meet all these requirements.

Lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to above.

Multiple or suspected multiple applications are liable to be rejected. Please refer to the section headed “How Many Applications You Can Make” below.

You should note that by signing the Application Form, among other things:

- (i) you confirm that you have only relied on the information and representations in this prospectus in making your application and not on any other information or representation concerning us and you agree that neither we, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of 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;
- (ii) you agree that our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, and any of their respective directors, officers, employers, partners, agents or advisors are liable only for the information and representations 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 this 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, nor otherwise participate in the International Offering; and
- (iv) you agree to disclose to us, and/or our Hong Kong Share Registrar, receiving bankers, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective agents the personal data and any information which they require about you or the person(s) for whose benefit you have made this application.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

- **If you are applying 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 CCASS Participant I.D. in the appropriate box.
- **If you are applying as an individual CCASS Investor Participant:**
  - you must fill in your name and your Hong Kong identity card number; and
  - you must insert your CCASS Participant I.D. in the appropriate box.
- **If you are applying as a joint individual CCASS Investor Participant:**
  - you must insert all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all the joint CCASS Investor Participants; and
  - you must insert your CCASS Participant I.D. in the appropriate box.
- **If you are applying as a corporate CCASS Investor Participant:**
  - you must insert your company name and your company's Hong Kong business registration number; and
  - you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company name) in the appropriate box.

Incorrect or omission of 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, we and the Sole Global Coordinator may accept it at their discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and the Sole Global Coordinator will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" an identification number for each beneficial owner.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### HOW MANY APPLICATIONS YOU CAN MAKE

- (a) You may make more than one application for the 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 not allowed. It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form 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 **WHITE Form eIPO** Service Provider through the **WHITE Form eIPO** Service or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person 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 **WHITE Form eIPO** Service Provider through the **WHITE Form eIPO** Service, and that you are duly authorized to sign the Application Form as that other person’s agent.

- (b) **All** of your applications under the Public Offer are liable to 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 via CCASS or to the designated **WHITE Form eIPO** Service Provider through the **WHITE Form eIPO** Service ([www.eipo.com.hk](http://www.eipo.com.hk));
- 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 ([www.eipo.com.hk](http://www.eipo.com.hk));
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC via CCASS or to the **WHITE Form eIPO** Service Provider through the **WHITE Form eIPO** Service ([www.eipo.com.hk](http://www.eipo.com.hk)) to apply for more than 16,667,000 Public Offer Shares (being 50% of the Public Offer Shares initially being offered for subscription by the public); or
- apply for or take up any Offer Shares under the International Offering or otherwise participate in the International Offering or indicate an interest for any International Offer Shares.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (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 part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and: (i) the principal 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 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 one-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).

### APPLY THROUGH WHITE FORM eIPO

- (a) If you are an individual and meet the criteria set out in “How to Apply for Public Offer Shares—Who Can Apply for Public Offer Shares”, you may apply through **WHITE Form eIPO** by submitting an application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). If you apply through **WHITE Form eIPO**, the Public Offer Shares will be issued in your own name.
- (b) Detailed instructions for application through the **WHITE Form eIPO** service are set out on the designated website at [www.eipo.com.hk](http://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.
- (c) 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](http://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.
- (d) By submitting an application to the designated **WHITE Form eIPO** Service Provider through the **WHITE Form eIPO** service, 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.
- (e) You may submit an application through the **WHITE Form eIPO** service in respect of a minimum of 1,000 Public Offer Shares. Each **electronic application instruction** in respect of more than 1,000 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](http://www.eipo.com.hk).
- (f) You should give **electronic application instructions** through **WHITE Form eIPO** at the times set out in the section headed “How to Apply for Public Offer Shares—When to Apply for the Public Offer Shares—**WHITE Form eIPO**”.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (g) You should make payment for your application made by **WHITE Form eIPO** service in accordance with the methods and instructions set out in the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Monday, November 8, 2010, or such later time as described under the section headed “When to Apply for the Public Offer Shares—Effect of Bad Weather Conditions on the Opening of the Application Lists” 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](http://www.eipo.com.hk).**
- (h) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **WHITE Form eIPO** Service Provider to make an application for the Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **WHITE Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.
- (i) Warning: The application for Public Offer Shares through the **WHITE Form eIPO** service is only a facility provided by the designated **WHITE Form eIPO** Service Provider to public investors. **Our Company, our Directors, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the WHITE Form eIPO service will be submitted to our Company or that you will be allotted any Public Offer Shares.**

### *Environmental Protection*

The obvious advantage of **WHITE Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **WHITE Form eIPO** Service Provider, will contribute HK\$2 per each “Leoch International Technology Limited” **WHITE Form eIPO** application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “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, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **WHITE Form eIPO** service, 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**. See “—How Many Applications You Can Make”.

### *Additional Information*

For the purposes of allocating 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](http://www.eipo.com.hk) will be treated as an applicant.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of 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](http://www.eipo.com.hk).

### HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Public Offer Shares and to arrange payment of the money 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 in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System (<https://ip.ccass.com>) (according to 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 come to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Centre  
2/F., Vicwood Plaza  
199 Des Voeux Road  
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 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 CCASS Clearing Participant or CCASS Custodian Participant to our Company and the Hong Kong Share Registrar.

#### *Minimum Subscription Amount and Permitted Numbers*

You may give **electronic application instructions** in respect of a minimum of 1,000 Public Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

#### *Application for 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 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 of the persons:
  - agrees that the Hong Kong Offer Shares to be allotted shall be issued the name of HKSCC Nominees and deposited directly into CCASS for credit to the persons's CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted the **electronic application instruction** on your behalf;



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- undertakes and agrees to accept the shares in respect of which that person has given the **electronic application instruction** or any lesser number;
- undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Shares under the International Offering;
- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
- (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
- understands that the above declaration will be relied upon by our Company, the Directors and the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters in deciding whether or not to make any allotment of Public Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- authorizes our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund money in accordance with the arrangements separately agreed between our Company and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations and that person agrees that neither our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other parties involved in the Global Offering will have any liability for any such other information or representations;
- agrees that our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to our Company and Hong Kong Share Registrar, Receiving Bankers, advisors, agents and the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and their respective agents, the personal data and any information which they require about that person or the person(s) for whose benefit the application is made;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable before Monday, November 15, 2010, such agreement to take effect as a collateral contract with the

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any public offer shares to any person before Saturday, December 4, 2010 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 public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the 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 that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by our Company;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Public Offer Shares; and
- agrees that such 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 will 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 Public Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum offer price, brokerage, the SFC transaction levy and the 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 Offer Share paid on application, refund of the application monies, in each case including brokerage, the SFC transaction levy and the 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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of 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 Public Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### *Allocation of Public Offer Shares*

For the purpose of allocating 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 instruction is given shall be treated as an applicant.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- No temporary documents 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 on Monday, November 15, 2010 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) in the manners specified in the paragraph headed “How to Apply for Public Offer Shares—Results of Allocations” in this prospectus. The basis of allotment of the Public Offer will be published on the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Monday, November 15, 2010. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, November 15, 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 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 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 Monday, November 15, 2010. Immediately after the credit of the Public Offer Shares to your CCASS Investor Participant stock account and the credit of any refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of 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 difference between the Offer Price and the initial price per Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and 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 Monday, November 15, 2010. No interest will be paid thereon.

### *Section 40 of the Companies Ordinance*

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 give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### *Warning*

Application for Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit **electronic application instructions**, they should either:

- (a) **submit the WHITE or YELLOW Application Form (as appropriate); or**
- (b) **go to HKSCC's Customer Service Centre to complete an application instruction input request form for electronic application instructions before 12:00 noon on Monday, November 8, 2010 or such later time as described in the section headed "Effect of Bad Weather Conditions On the Opening of the Application Lists" above.**

### *Personal Data*

The section of the Application Form headed "Personal data" applies to any personal data held by our Company and the Hong Kong Share Registrar, receiving bankers, advisers, and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## RESULTS OF ALLOCATIONS

The results of allocations of the Public Offer Shares under the Public Offer, including applications made under **WHITE** and **YELLOW** Application Forms and by giving **electronic application instructions** to HKSCC and the **WHITE Form eIPO** Service Provider which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants and the number of the Public Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- Results of allocations will be available from the Stock Exchange's website at **[www.hkexnews.hk](http://www.hkexnews.hk)**;
- Results of allocations will also be available from our website at [www.leoch.com](http://www.leoch.com) and our results of allocations website at **[www.iporesults.com.hk](http://www.iporesults.com.hk)** on a 24-hour basis from 8:00 a.m. on Monday, November 15, 2010 to 12:00 midnight on Sunday, November 21, 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 Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, November 15, 2010 to Thursday, November 18, 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 Monday, November 15, 2010 to Wednesday, November 17, 2010 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "How to Apply for Public Offer Shares—Where to Collect the Application Forms".

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there 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 the Application Form:

- (a) for applicants on **WHITE** and **YELLOW** Application Forms or by **WHITE Form eIPO** service, (i) Share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of 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) for applicants on **WHITE** and **YELLOW** Application Forms, refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the 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 brokerage at the rate of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% but without interest.
- (c) for applicants who apply through the **WHITE Form eIPO** service by paying the application monies through a single bank account and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, e-Refund payment instructions (if any) will be dispatched to the application payment account.
- (d) for applicants who apply through the **WHITE Form eIPO** service by paying the application monies through multiple bank accounts and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, refund check(s) will be sent to the address as specified on the **WHITE Form eIPO** application by ordinary post and at the applicant's own risk.

Subject as mentioned below, refund checks for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and Share certificates for successful applicants under the **WHITE** Application Form or to the **WHITE Form eIPO** Service Provider via the **WHITE Form eIPO** service are expected to be posted on or about Monday, November 15, 2010. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of check(s).

**(a) If you apply using a WHITE Application Form:**

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund check(s) (where applicable) and/or Share certificate(s) (where applicable) in person, you may collect your refund check(s) (where applicable) and/or Share certificate(s) (where applicable) from our 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 Monday, November 15, 2010. If you are an individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your company 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 check(s) and Share certificate(s) within the time period specified for collection, they will be dispatched promptly thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If you apply for less than 1,000,000 Public Offer Shares or, if you apply for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund check(s) (where applicable) and your Share certificates (where applicable) in person, your Share certificate(s) (where applicable) and/or refund check(s) (where applicable) will be dispatched to the address on your Application Form on or about Monday, November 15, 2010 by ordinary post and at your own risk.

**(b) If you apply using a YELLOW Application Form:**

If you apply for Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificates 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 in your Application Form on Monday, November 15, 2010, or under a contingent situation, 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 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 Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manners specified in the paragraph headed "How to Apply for Public Offer Shares—Results of Allocations" in this prospectus. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Monday, November 15, 2010 or such other date as will be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance 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). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund check (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 Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) (if any) will be sent to the address on your Application Form on the date of dispatch, which is expected to be on Monday, November 15, 2010, by ordinary post and at your own risk.

**(c) If you apply through WHITE Form eIPO service:**

If you apply for 1,000,000 Public Offer Shares or more through the **WHITE Form eIPO** service and your application is wholly or partially successful, you may collect your share certificate(s) in person from our 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 Monday, November 15, 2010, or such other date as notified by our Company in the newspapers as the date of dispatch of e-Refund payment instructions/refund cheque(s)/share certificate(s). 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If you apply for less than 1,000,000 Public Offer Shares or, if you apply for 1,000,000 Public Offer Shares or more but have not indicated on your application that you will collect your Share certificates in person, 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 Monday, November 15, 2010 by ordinary post and at your own risk.

If you apply through the **WHITE Form eIPO** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be dispatched to the application payment account on or around Monday, November 15, 2010.

If you apply through the **WHITE Form eIPO** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, refund check(s) will be sent to the address specified in your application instructions to the designated **WHITE Form eIPO** Service Provider on or around Monday, November 15, 2010, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **WHITE Form eIPO** Service Provider set out in this section headed “Apply through **WHITE Form eIPO**—Additional Information” of this prospectus.

### CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted 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 through the **WHITE Form eIPO** Service), and you should read them carefully. You should note the following situations in which 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 giving an **electronic application instruction** to HKSCC or to the **WHITE Form eIPO** Service Provider through the **WHITE Form eIPO** Service, you agree that your application or the application made by HKSCC on your behalf is irrevocable until after the fifth day after the time of the opening of the Application Lists. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or give your **electronic application instruction** to the **WHITE Form eIPO** Service Provider through the **WHITE Form eIPO** Service or give your **electronic application instruction** to HKSCC 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 Public Offer Shares to any person on or before Saturday, December 4, 2010 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before Monday, November 15, 2010 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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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 application(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 the prospectus as supplemented.

If your application or the application made by HKSCC Nominee 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 announcement 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 allotment of Public Offer Shares is void:***

The allotment of Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the 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 Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

***(c) If you make applications under the Public Offer as well as the International Offering:***

You or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) Shares in the International Offering. By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC or to the **WHITE Form eIPO** Service Provider via 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 Public Offer from investors who have received International Offer Shares, and to identify and reject indications of interest in the International Offering from investors who have received Public Offer Shares in the Public Offer.

***(d) If our Company and the Sole Global Coordinator or their respective agents exercise their discretion:***

Our Company, the Sole Global Coordinator, **WHITE Form eIPO** Service Provider (where applicable) and their respective agents or nominees 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) If your application is rejected or not accepted:***

- your application is a multiple or a suspected multiple applications;
- your Application Form is not completed correctly in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your payment is not made correctly or you pay by check or banker's cashier order and the check 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 Offer Shares under the International Offering;
- we believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located;



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- if you apply for more than 100% of the Shares available for allocation in either Pool A or Pool B Public Offer Shares; or
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with their respective terms thereof.

### REFUND OF APPLICATION MONIES

If you do not receive any Public Offer Shares for any of, but not limited to, the above reasons, our Company will refund your application monies, including brokerage, SFC transaction levy and Stock Exchange trading fee. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage, SFC transaction levy and Stock Exchange trading fee) without interest.

If the Offer Price as finally determined is less than the initial price per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of dispatch of refund monies will be retained for the benefit of our Company.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Sole Global Coordinator, checks for applications made on Application Forms for certain small denominations of Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Monday, November 15, 2010 in accordance with the various arrangements as described above.

### COMMENCEMENT OF DEALINGS IN THE SHARES

- Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, November 16, 2010.
- The Shares will be traded in board lots of 1,000 each. The stock code of the Shares is 842.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

- If the Stock Exchange grants the listing of, and permission to deal in the Shares and our Company comply with the stock admission requirements of HKSCC, 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 Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the 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 advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.
- All necessary arrangements have been made for the Shares to be admitted into CCASS.



Ernst & Young  
18th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

Tel: +852 2846 9888  
Fax: +852 2868 4432  
www.ey.com

安永會計師事務所  
香港中環金融街8號  
國際金融中心2期18樓  
電話: +852 2846 9888  
傳真: +852 2868 4432

3 November 2010

The Board of Directors  
Leoch International Technology Limited  
Citigroup Global Markets Asia Limited

Dear Sirs,

We set out below our report on the financial information of Leoch International Technology Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2007, 2008 and 2009 and the six-month period ended 30 June 2010 (the “Relevant Periods”), the consolidated statements of financial position as at 31 December 2007, 2008 and 2009 and 30 June 2010, and a summary of significant accounting policies and other explanatory notes (the “Financial Information”), and the financial information for the six-month period ended 30 June 2009 (the “30 June 2009 Financial Information”), for inclusion in the prospectus of the Company dated 3 November 2010 (the “Prospectus”) in connection with the proposed 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 27 April 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Through a group reorganisation as set out in the section entitled “Our History, Reorganisation and Group Structure” in the Prospectus (the “Reorganisation”), the Company has become the holding company of the companies now comprising the Group on 8 June 2010.

The subsidiaries now comprising the Group are set out in note 4 of Section II below. All companies comprising the Group have adopted 31 December as their financial year end date.

No audited statutory financial statements have been prepared by the Company as it has not carried out any business transaction other than the Reorganisation. The audited financial statements or management accounts of the subsidiaries have been prepared in accordance with the relevant accounting principles generally accepted in the place of incorporation/establishment of those companies. The names of the statutory auditors of these companies are set out in note 4 of Section II below.

For the purpose of this report, the Directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with International Financial Reporting Standards (“IFRSs”) (which also include International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (the “IASB”) (the “IFRS Financial Statements”).

The Financial Information has been prepared by the Directors based on the IFRS Financial Statements.

The Directors are responsible for the preparation and the true and fair presentation of the Financial Information. The directors of the respective companies of the Group are responsible for the preparation and true and fair presentation of the respective financial statements and, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to these companies. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion based on our audit on the Financial Information and to express a conclusion on the 30 June 2009 Financial Information based on our review.

#### **Procedures performed in respect of the Financial Information**

For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing (“HKSA’s”), and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). No adjustments were deemed necessary to the IFRS Financial Statements in preparing the Financial Information for inclusion in the Prospectus.

#### **Procedures performed in respect of the 30 June 2009 Financial Information**

For the purpose of this report, we have also performed a review of the 30 June 2009 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA’s 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 30 June 2009 Financial Information.

#### **Opinion in respect of the Financial Information**

In our opinion, the Financial Information for the Relevant Periods 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 and 2009 and 30 June 2010 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

#### **Review conclusion in respect of the 30 June 2009 Financial Information**

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30 June 2009 Financial Information does not give a true and fair view of the consolidated results and cash flows of the Group for the six-month period ended 30 June 2009 in accordance with IFRSs.

## I. FINANCIAL INFORMATION

*Consolidated statements of comprehensive income*

	Notes	Year ended 31 December			Six-month period ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>REVENUE</b> .....	6	1,129,129	1,498,997	1,391,533	600,579	944,380
Cost of sales .....		(989,032)	(1,301,424)	(1,112,936)	(484,290)	(707,556)
Gross profit .....		140,097	197,573	278,597	116,289	236,824
Other income and gains .....	6	5,898	10,160	20,561	11,553	5,460
Selling and distribution costs .....		(34,122)	(43,660)	(57,292)	(23,021)	(27,269)
Administrative expenses .....		(43,404)	(59,028)	(70,084)	(34,128)	(54,591)
Other operating expenses .....		(9,153)	(9,079)	(2,367)	(1,009)	(861)
Finance costs .....	7	(5,405)	(8,343)	(9,614)	(4,625)	(9,598)
<b>PROFIT BEFORE TAX</b> .....	8	53,911	87,623	159,801	65,059	149,965
Income tax expense .....	11	(2,281)	(12,865)	(14,523)	(6,833)	(22,983)
<b>PROFIT FOR THE YEAR/PERIOD</b> .....		51,630	74,758	145,278	58,226	126,982
<b>OTHER COMPREHENSIVE INCOME</b>						
Exchange differences on translation of foreign operations .....		2,355	1,584	(56)	(32)	(193)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b> .....		53,985	76,342	145,222	58,194	126,789
Profit attributable to:						
Owners of the Company .....		50,676	74,644	145,273	58,221	126,982
Non-controlling interests .....		954	114	5	5	–
		51,630	74,758	145,278	58,226	126,982
Total comprehensive income attributable to:						
Owners of the Company .....		53,122	76,301	145,218	58,190	126,789
Non-controlling interests .....		863	41	4	4	–
		53,985	76,342	145,222	58,194	126,789

*Consolidated statements of financial position*

	Notes	As at 31 December			As at 30 June
		2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	14	204,966	301,466	367,587	410,607
Prepaid land lease payments	15	38,788	39,839	42,440	56,558
Intangible assets	16	306	2,680	2,719	3,493
Long term portion of trade receivables	20	3,623	9,373	19,346	14,035
Deposits paid for purchase of items of property, plant and equipment		6,687	27,095	11,371	17,857
Deferred tax assets	18	1,931	1,754	1,628	1,410
Total non-current assets		256,301	382,207	445,091	503,960
<b>CURRENT ASSETS</b>					
Inventories	19	154,804	98,569	180,659	311,445
Trade and bills receivables	20	184,412	229,508	340,393	442,995
Prepayments, deposits and other receivables	21	7,764	12,795	28,526	40,879
Tax recoverable		–	65	335	13
Amounts due from related companies	24	20,963	19,583	34,245	22,079
Pledged deposits	22	8,666	15,119	18,754	53,890
Cash and bank balances	22	22,452	35,718	43,189	78,970
Total current assets		399,061	411,357	646,101	950,271
<b>CURRENT LIABILITIES</b>					
Trade and bills payables	26	100,251	141,563	163,106	292,478
Dividend payable	28	–	–	–	68,710
Other payables and accruals	27	112,845	118,350	130,550	146,198
Interest-bearing bank borrowings	25	65,155	63,550	173,331	295,317
Amount due to a director	23	15,199	59,817	58,476	70,156
Amounts due to related companies	24	42,647	45,317	54,383	65,127
Income tax payable		1,261	8,395	13,428	26,712
Total current liabilities		337,358	436,992	593,274	964,698
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		61,703	(25,635)	52,827	(14,427)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		318,004	356,572	497,918	489,533
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	18	807	295	754	1,878
Total non-current liabilities		807	295	754	1,878
Net assets		317,197	356,277	497,164	487,655
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company:</b>					
Issued share capital	29	–	–	–	–
Reserves	30	314,671	355,077	497,164	487,655
		314,671	355,077	497,164	487,655
<b>Non-controlling interests</b>		2,526	1,200	–	–
Total equity		317,197	356,277	497,164	487,655

*Consolidated statements of changes in equity*

		Equity attributable to owners of the Company								
		Issued share capital	Statutory reserve fund*	Merger reserve*	Share option reserve*	Exchange fluctuation reserve*	Retained earnings*	Total	Non- controlling interests	Total equity
Notes		RMB'000 (Note 29)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000	RMB'000	RMB'000	RMB'000
	At 1 January 2007.....	–	4,561	203,483	–	1,245	2,740	212,029	3,625	215,654
	Total comprehensive income for the year .....	–	–	–	–	2,446	50,676	53,122	863	53,985
	Contribution by the then equity holders of the subsidiaries .....	–	–	47,558	–	–	–	47,558	–	47,558
	Acquisition of non-controlling interests by the then equity holders of the subsidiaries .....	–	–	1,962	–	–	–	1,962	(1,962)	–
	Dividend transferred.....	13	–	7,000	–	–	(7,000)	–	–	–
	Transfer from retained earnings .....	–	5,774	–	–	–	(5,774)	–	–	–
	As at 31 December 2007 and 1 January 2008.....	–	10,335	260,003	–	3,691	40,642	314,671	2,526	317,197
	Total comprehensive income for the year .....	–	–	–	–	1,657	74,644	76,301	41	76,342
	Contribution by the then equity holders of the subsidiaries .....	–	–	21,176	–	–	–	21,176	–	21,176
	Acquisition of equity interests in subsidiaries by the Group from the equity holders of the Company ...	–	–	(22,900)	–	–	–	(22,900)	–	(22,900)
	Acquisition of non-controlling interests by the Group .....	–	–	767	–	–	–	767	(1,367)	(600)
	Dividend paid .....	13	–	–	–	–	(34,938)	(34,938)	–	(34,938)
	Transfer from retained earnings .....	–	4,180	–	–	–	(4,180)	–	–	–
	As at 31 December 2008.....	–	14,515	259,046	–	5,348	76,168	355,077	1,200	356,277

		Equity attributable to owners of the Company								
		Issued share capital	Statutory reserve fund*	Merger reserve*	Share option reserve*	Exchange fluctuation reserve*	Retained earnings*	Total	Non- controlling interests	Total equity
Notes		RMB'000 (Note 29)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000	RMB'000	RMB'000	RMB'000
	As at 31 December 2008 and 1 January 2009.....	–	14,515	259,046	–	5,348	76,168	355,077	1,200	356,277
	Total comprehensive income for the year .....	–	–	–	–	(55)	145,273	145,218	4	145,222
	Contribution by the then equity holders of the subsidiaries .....	–	–	16,374	–	–	–	16,374	–	16,374
	Acquisition of equity interests in a subsidiary by the Group from the equity holders of the Company ...	–	–	(10,850)	–	1,340	–	(9,510)	–	(9,510)
	Acquisition of non-controlling interests by the Group .....	–	–	147	–	–	–	147	(1,204)	(1,057)
	Dividend paid .....	13	–	–	–	–	(10,142)	(10,142)	–	(10,142)
	Transfer from retained earnings .....	–	7,736	–	–	–	(7,736)	–	–	–
	As at 31 December 2009 and 1 January 2010.....	–	22,251	264,717	–	6,633	203,563	497,164	–	497,164
	Total comprehensive income for the period.....	–	–	–	–	(193)	126,982	126,789	–	126,789
	Issue of shares.....	29	–	–	–	–	–	–	–	–
	Issue of Pre-IPO share options .....	31	–	–	970	–	–	970	–	970
	Contribution by the then equity holders of the subsidiaries .....	–	–	12,959	–	–	–	12,959	–	12,959
	Acquisition of subsidiaries pursuant to the Reorganisation.....	–	–	(2,571)	–	–	–	(2,571)	–	(2,571)
	Dividend paid/declared .....	13	–	–	–	–	(147,656)	(147,656)	–	(147,656)
	Transfer from retained earnings .....	–	9,341	–	–	–	(9,341)	–	–	–
	As at 30 June 2010 .....	–	31,592	275,105	970	6,440	173,548	487,655	–	487,655

		Equity attributable to owners of the Company								
		Issued share capital	Statutory reserve fund*	Merger reserve*	Share option reserve*	Exchange fluctuation reserve*	Retained earnings*	Total	Non- controlling interests	Total equity
Note		RMB'000 (Note 29) (Unaudited)	RMB'000 (Note 30) (Unaudited)	RMB'000 (Note 30) (Unaudited)	RMB'000 (Note 30) (Unaudited)	RMB'000 (Note 30) (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
	As at 1 January 2009.....	–	14,515	259,046	–	5,348	76,168	355,077	1,200	356,277
	Total comprehensive income for the period .....	–	–	–	–	(31)	58,221	58,190	4	58,194
	Contribution by the then equity holders of the subsidiaries .....	–	–	16,374	–	–	–	16,374	–	16,374
	Acquisition of equity interests in a subsidiary by the Group from the equity holders of the Company ...	–	–	(10,850)	–	1,340	–	(9,510)	–	(9,510)
	Acquisition of non-controlling interests by the Group.....	–	–	147	–	–	–	147	(1,204)	(1,057)
	Dividend paid ..... 13	–	–	–	–	–	(10,142)	(10,142)	–	(10,142)
	Transfer from retained earnings .....	–	2,870	–	–	–	(2,870)	–	–	–
	As at 30 June 2009 .....	–	17,385	264,717	–	6,657	121,377	410,136	–	410,136

\* These reserve accounts comprise the consolidated reserves of RMB314,671,000, RMB355,077,000, RMB497,164,000 and RMB487,655,000 in the consolidated statements of financial position as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively.



*Consolidated statements of cash flows*

	Notes	Year ended 31 December			Six-month period ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit before tax.....		53,911	87,623	159,801	65,059	149,965
Adjustments for:						
Finance costs .....	7	5,405	8,343	9,614	4,625	9,598
Interest income .....	6	(887)	(255)	(610)	(189)	(157)
Loss/(gain) on disposal of items of property, plant and equipment ...	8	55	11	11	(22)	(57)
Depreciation.....	8	16,018	22,817	32,044	15,659	20,360
Amortisation of prepaid land lease payments .....	8	551	864	919	447	530
Amortisation of intangible assets ...	8	118	148	324	160	178
Amortisation of deferred government grants .....	8	(341)	(626)	(857)	(512)	(264)
Government grants credited to other income .....	6	(817)	(7,233)	(17,145)	(10,403)	(3,836)
Impairment/(write-back of impairment) of trade receivables .	8	1,518	901	688	–	(838)
Equity-settled share option expenses .....	8	–	–	–	–	970
		75,531	112,593	184,789	74,824	176,449
(Increase)/decrease in inventories ..		(62,381)	56,235	(82,090)	(46,133)	(130,786)
Increase in trade and bills receivables .....		(31,833)	(51,747)	(121,546)	(58,707)	(96,453)
Decrease/(increase) in prepayments, deposits and other receivables .....		10,157	(4,992)	(15,652)	(28,902)	(9,498)
Increase in trade and bills payables.		42,621	41,312	21,543	63,580	129,372
(Decrease)/increase in other payables and accruals.....		(23,092)	105	12,523	46,620	14,830
Movements in balances with a director.....		(8,032)	26,343	(11,909)	(24,499)	(2,022)
Movements in balances with related parties.....		27,847	4,660	(5,555)	(3,541)	22,910
Cash generated from/(used in) operations .....		30,818	184,509	(17,897)	23,242	104,802
Income tax paid.....		(569)	(6,131)	(9,175)	(4,645)	(8,035)
<b>Net cash flows from operating     activities.....</b>		<b>30,249</b>	<b>178,378</b>	<b>(27,072)</b>	<b>18,597</b>	<b>96,767</b>

	Notes	Year ended 31 December			Six-month period ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Net cash flows from operating activities</b>		30,249	178,378	(27,072)	18,597	96,767
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received		887	255	610	189	157
Purchase of items of property, plant and equipment	32(a)	(72,528)	(136,512)	(84,358)	(45,837)	(49,963)
Proceeds from disposal of items of property, plant and equipment		341	1,769	2,350	2,134	92
Additions in prepaid land lease payments	32(b)	(2,907)	(153)	(3,599)	(3,599)	(16,781)
Additions to intangible assets		(362)	(2,522)	(363)	(363)	(952)
Proceeds from disposal of intangible assets		292	–	–	–	–
Acquisition of equity interests in subsidiaries by the Group from the equity holders of the Company		–	(3,500)	–	–	–
Acquisition of non-controlling interests by the Group	32(c)	–	(600)	–	–	–
Decrease/(increase) in pledged deposits		8,201	(6,453)	(3,635)	(31,526)	(35,136)
<b>Net cash flows used in investing activities</b>		(66,076)	(147,716)	(88,995)	(79,002)	(102,583)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Contribution by the then equity holders of the subsidiaries	32(a)	47,558	20,389	16,374	16,374	–
New bank loans		116,332	92,751	243,038	130,707	227,004
Repayment of bank loans		(122,368)	(94,356)	(133,257)	(74,882)	(105,018)
Interest paid		(5,405)	(8,343)	(9,614)	(4,625)	(9,598)
Dividends paid		–	(34,938)	(10,142)	(10,142)	(71,311)
Pre-IPO expenses paid		–	–	–	–	(2,523)
Receipt of government grants		817	7,233	17,145	10,403	3,836
<b>Net cash flows from/(used in) financing activities</b>		36,934	(17,264)	123,544	67,835	42,390
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		1,107	13,398	7,477	7,430	36,574
Cash and cash equivalents at beginning of year/period		22,888	22,452	35,718	35,718	43,189
Effect of foreign exchange rate changes, net		(1,543)	(132)	(6)	(3)	(793)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>		22,452	35,718	43,189	43,145	78,970
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>						
Cash and bank balance		22,452	35,718	43,189	43,145	78,970

*Statement of financial position*

The statement of financial position of the Company as at 30 June 2010 is as follows:

	Notes	<u>As at 30 June 2010</u> RMB'000
<b>NON-CURRENT ASSET</b>		
Interests in subsidiaries .....	17	<u>338,800</u>
<b>CURRENT ASSET</b>		
Prepayments .....		<u>2,523</u>
<b>CURRENT LIABILITIES</b>		
Amounts due to subsidiaries .....	17	<u>10,091</u>
Total current liabilities .....		<u>10,091</u>
<b>NET CURRENT LIABILITIES</b> .....		<u>(7,568)</u>
Net liabilities .....		<u><u>331,232</u></u>
<b>EQUITY</b>		
Issued capital .....	29	–
Reserves .....	30(b)	<u>331,232</u>
Total equity .....		<u><u>331,232</u></u>

## II. NOTES TO FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 27 April 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands in preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"). The registered office of the Company is located at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group is principally engaged in the manufacture and development of lead-acid battery (the "Listing Business").

In the opinion of the directors of the Company (the "Directors"), the holding company and the ultimate holding company is Master Alliance Investment Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Dong Li.

Before the formation of the Group, the Listing Business was carried out by the subsidiaries now comprising the Group as set out in note 4, all of which were collectively controlled by Mr. Dong Li (hereinafter referred to as the "Controlling Shareholder"). Pursuant to the Reorganisation as described in the section entitled "History, Reorganisation and Group Structure" in the Prospectus and in Appendix VII "Statutory and General Information" to the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group on 8 June 2010.

### 2. BASIS OF PREPARATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 8 June 2010. Since the Company and the companies now comprising the Group were under common control of the Controlling Shareholder both before and after the completion of the Reorganisation, the Reorganisation has been accounted for using merger accounting.

The Financial Information has been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group. The Financial Information presents the consolidated results, cash flows and financial position of the companies comprising the Group as if the group structure had been in existence throughout the Relevant Periods and as if all of the Listing Business was transferred to the Group as of the earliest period presented, or since their respective date of incorporation or establishment when this is a shorter period.

The Financial Information has been prepared in accordance with IFRSs which comprise standards and interpretations approved by the IASB that are applicable to the Relevant Periods and the disclosure requirements of the Hong Kong Companies Ordinance. For the purpose of preparing and presenting the Financial Information for inclusion in the Prospectus, the Group has early adopted all IFRSs, which are effective for the accounting period beginning on 1 January 2010, that are relevant to the Group's operations throughout the Relevant Periods, except for IFRS 3 (Revised), which has been applied for business combination for which the acquisition date is on or after 1 January 2010, and IAS 27 (Revised) which has been applied for accounting period beginning on 1 January 2010.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

#### *Basis of consolidation*

The Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods. As explained herein before, the acquisition of subsidiaries under common control has been accounted for using merger accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control consolidation occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of the Reorganisation under common control.

The Financial Information includes the results and financial positions of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the Reorganisation under common control.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the companies now comprising the Group. An acquisition of non-controlling interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

### 3.1 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the Financial Information.

IFRS 1 Amendments	Amendment to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i> <sup>2</sup>
IFRS 9	<i>Financial Instruments</i> <sup>4</sup>
IAS 24 (Revised)	<i>Related Party Disclosures</i> <sup>3</sup>
IAS 32 Amendment	Amendment to IAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issue</i> <sup>1</sup>
IFRIC 14 Amendments	Amendments to IFRIC 14 <i>Prepayments of a Minimum Funding Requirement</i> <sup>3</sup>
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Improvements to IFRSs issued in May 2010 contain amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13. Except for the amendments to IFRS 3 and IAS 27 which are effective for annual periods beginning on or after 1 July 2010, other amendments are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39. IAS 39 is aimed to be replaced by IFRS 9 in its entirety by the end of 2010. The amendments will not have any financial impact on the Group.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The revised standard is unlikely to have any impact on the Group's related party disclosures as the Group is not a government related entity.

The IAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The IFRIC 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation is unlikely to have any material financial impact on the Group.

*Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. Except for the amendment to IFRS 3 and IAS 27, the Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

### 3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Subsidiaries*

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

***Impairment of non-financial assets other than goodwill***

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each of the Relevant Periods as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

***Related parties***

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

***Property, plant and equipment and depreciation***

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Plant and machinery	3 – 10 years
Office equipment	3 – 10 years
Motor vehicles	3 – 10 years
Tooling and equipment	3 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### ***Revenue recognition***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding other sales taxes or duties. The following specific recognition criteria must also be met before revenue is recognised:

#### **(a) Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, the title has been passed to the buyer and the amount of revenue can be measured reliably, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

#### **(b) Interest income**

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

#### **(c) Rental income**

Rental income is recognised on a time proportion basis over the lease terms.



***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 costs capitalised.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

***Foreign currencies***

The Financial Information is presented in Renminbi (“RMB”), which is the Company’s functional and presentation currency. Each entity within the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are initially recorded using the functional currency rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas entities within the Group are currencies other than RMB. As at the reporting date, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the reporting date and, their profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas entities within the Group are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequent recurring cash flows of overseas entities within the Group which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

***Government grants***

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated profit or loss over the expected useful life of the relevant asset by equal annual instalments.

***Income tax***

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods 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 deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### ***Intangible assets (other than goodwill)***

Intangible assets acquired separately are measured on initial recognition as cost. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

#### **Computer software**

Computer software is amortised over the estimated useful life of ten years.

**Research and development costs**

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

***Financial assets*****Initial recognition and measurement**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at end of each of the Relevant Periods.

The Group's financial assets include pledged deposits, cash and bank balances and trade and bills receivables, deposits and other receivables and amounts due from related companies.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in other operating expenses.

***Derecognition of financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Impairment of financial assets*

The Group assesses at the end of each of the Relevant Periods whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### **Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss.

***Financial liabilities*****Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to a director and related companies and interest-bearing bank borrowings.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

**Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

***Cash and cash equivalents***

For the purpose of the consolidated statements of cash flow, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

***Inventories***

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The costs of raw materials comprise the purchasing costs of the materials and other costs incurred in bringing the materials to their present locations and conditions. The costs of work in progress and finished goods comprise direct materials, direct labour and an appropriate proportion of manufacturing overheads.

Net realisable value is based on estimated selling prices, less estimated costs to be incurred to completion and disposal.

***Provisions***

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is included in finance costs in profit or loss.

***Leases***

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

***Retirement benefits***

Obligatory retirement benefits in the form of contributions under a defined contribution retirement scheme administered by local government agencies are charged to the profit or loss as incurred.

***Dividends***

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

*Share-based payment transactions*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial lattice model, further details of which are given in note 31 to the Financial Information.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

### 3.3 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### *Estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

#### **(i) Impairment of trade receivables**

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of doubtful debts requires management's judgement and estimates. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Where the actual outcome or future expectation is different from the original estimate, such differences will impact the carrying value of the receivables, doubtful debt expenses and write-back of impairment of trade receivables in the period in which such estimate has been changed.

#### **(ii) Impairment of property, plant and equipment**

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount of an asset, or, where appropriate, the cash-generating unit to which it belongs, is calculated as the higher of its fair value less costs to sell and value in use. Estimating the value in use requires the Group to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### **(iii) Useful lives of property, plant and equipment**

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

#### **(iv) Useful lives of intangible assets**

The Group determines the estimated useful lives and related amortisation charges for its intangible assets. This estimate is based on the historical experience of the actual useful life of intangible assets of similar functions. It could change significantly as a result of technical innovations. Management reassesses the useful life at each reporting date.



**(v) Net realisable value of inventories**

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature which could change significantly as a result of competitor actions. Management reassesses these estimates at each reporting date.

**(vi) Deferred tax assets**

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**(vii) Valuation of share options**

As described in note 31 to the Financial Information, the Company has engaged an independent professionally qualified valuer to assist in the valuation of the share options granted during the six-month period ended 30 June 2010. The fair value of options granted under the pre-IPO share option scheme is determined using the binomial lattice model. The significant inputs into the model were the weighted average share price at the grant date, risk-free interest rate, exercise price, expected volatility of the underlying shares, expected dividend yield and expected life of options.

The grant of equity instruments might be conditional upon satisfying specified vesting condition, (i.e. the service period). Significant management judgement is required to take into account the vesting conditions and adjust the number of equity instruments included in the measurement of equity-settled share option expenses. Determining the number of equity instruments that eventually vest requires management to make assumptions regarding the profit forecast and likelihood of a successful initial public offering, and hence they are subject to uncertainty.

**4. PARTICULARS OF COMPANIES COMPRISING THE GROUP**

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

	Date of incorporation/ registration	Place of incorporation and registration/ operations	Issued and paid-up/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
<b>Subsidiaries:</b>						
江蘇理士電池有限公司 (Leoch Battery (Jiangsu) Corp.) ("Jiangsu Leoch") <sup>(1)</sup>	11 March 2003	PRC <sup>#</sup>	US\$30,095,000	–	100	Investment holding and manufacture and sale of lead-acid batteries

	Date of incorporation/ registration	Place of incorporation and registration/ operations	Issued and paid-up/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
肇慶理士電源技術有限公司 (Zhaoqing Leoch Battery Technology Co., Ltd.) (“Zhaoqing Leoch”) <sup>(2)</sup>	9 May 2005	PRC	US\$13,000,000	–	100	Manufacture and sale of lead-acid batteries
安徽理士電池技術有限公司 (Anhui Leoch Battery Technology Corp.) (“Anhui Leoch Battery”) <sup>(3)</sup>	26 July 2006	PRC	US\$8,400,000	–	100	Manufacture and sale of lead-acid batteries
深圳理士奧電源技術有限公司 (Shenzhen Leoch Battery Technology Co., Ltd.) (“Shenzhen Leoch”) <sup>(4)</sup>	26 April 1999	PRC	RMB20,000,000	–	100	Investment holding and manufacture and sale of lead-acid batteries
東莞市理士奧電源技術有限公司 (Dongguan Leoch Battery Technology Co., Ltd.) (“Dongguan Leoch”) <sup>(5)</sup>	27 November 2002	PRC	RMB3,500,000	–	100	Manufacture and sale of lead-acid batteries
Kinetic Growth International Limited (“Kinetic Growth”) <sup>(6)</sup>	11 January 2008	Hong Kong	HK\$2	–	100	Sale of lead-acid batteries
Leoch Battery Corporation (“Leoch Battery Corp”) <sup>(7)</sup>	17 June 2003	USA	US\$200,000	–	100	Sale of lead-acid batteries
Leoch Power Supply (H.K.) Limited (“Leoch Power Supply”) <sup>(8)</sup>	18 August 2004	Hong Kong	HK\$12,000,000	–	100	Investment holding and sale of lead-acid batteries

	Date of incorporation/ registration	Place of incorporation and registration/ operations	Issued and paid-up/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
Honour Label Investments Limited ("Honour Label") <sup>(7)</sup>	28 February 2005	BVI	US\$1	–	100	Investment holding
Peak Year Investments Limited ("Peak Year") <sup>(7)</sup>	25 January 2007	BVI	US\$1	–	100	Investment holding
Shieldon International Limited ("Shieldon") <sup>(7)</sup>	19 January 2007	BVI	US\$1	–	100	Investment holding
Leoch Battery Company Limited ("Leoch Battery Company") <sup>(9)</sup>	25 April 2007	Hong Kong	HK\$1,000,000	–	100	Investment holding and sale of lead-acid batteries
南京理士奧電源技術有限公司 (Nanjing Leoch Battery Technology Co., Ltd.)* ("Nanjing Leoch") <sup>(10)</sup>	15 March 2006	PRC	RMB300,000	–	100	Sale of lead-acid batteries
北京理士奧電源技術有限公司 (Beijing Leoch Engineering Technology Co., Ltd.)* ("Beijing Leoch") <sup>(11)</sup>	14 December 2004	PRC	RMB1,000,000	–	100	Sale of lead-acid batteries
昆明理士奧工程技術有限公司 (Kunming Leoch Engineering Technology Co., Ltd.)* ("Kunming Leoch") <sup>(12)</sup>	25 May 2006	PRC	RMB500,000	–	100	Sale of lead-acid batteries
西寧理士奧工程技術有限公司 (Xining Leoch Engineering Technology Co., Ltd.)* ("Xining Leoch") <sup>(11)</sup>	15 November 2006	PRC	RMB700,000	–	100	Inactive

	Date of incorporation/ registration	Place of incorporation and registration/ operations	Issued and paid-up/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
深圳理士電池技術有限公司 (Leoch Battery Shenzhen Corp.) ("Shenzhen Leoch Battery") <sup>(4)</sup>	27 September 2007	PRC	RMB1,000,000	–	100	Inactive
Catherine Holdings International Company Limited ("Catherine Holdings") <sup>(7)</sup>	3 May 2010	BVI	US\$6	100	–	Investment holdings
Leoch Europe Limited ("Leoch Europe") <sup>(9)</sup>	5 January 2010	United Kingdom	GB£1	–	100	Inactive
Leoch Battery Pte. Ltd. ("Leoch Battery Pte.") <sup>(9)</sup>	5 April 2010	Singapore	SG\$1	–	100	Inactive
安徽理士電源技術有限公司 (Anhui Leoch Power Supply Corp.) ("Anhui Leoch Power") <sup>(9)</sup>	26 October 2010	PRC	–	–	100	Inactive

## Notes:

- (1) The statutory financial statements for the years ended 31 December 2007 and 2009 were audited by Jiangsu Dingxin Certified Public Accountants\* (江蘇鼎信會計師事務所有限公司), Certified Public Accountants registered in the PRC. The statutory financial statements for the year ended 31 December 2008 were audited by HuaiAn Guoxin Certified Public Accountants\* (淮安國信會計師事務所), Certified Public Accountants registered in the PRC.
- (2) The statutory financial statements for the year ended 31 December 2007 were audited by Guangdong Zhaoqing Zhongpeng Certified Public Accountants Co., Ltd.\* (廣東肇慶中鵬會計師事務所有限公司), Certified Public Accountants registered in the PRC. The statutory financial statements for the years ended 31 December 2008 and 2009 were audited by Zhaoqing Xiang Xin Certified Public Accountants Co., Ltd.\* (肇慶市祥信會計師事務所有限公司), Certified Public Accountants registered in the PRC.
- (3) The statutory financial statements for the years ended 31 December 2007 and 2008 were audited by HuaiBei HuaYa Certified Public Accountants\* (淮北華亞會計師事務所), Certified Public Accountants registered in the PRC and the statutory financial statements for the year ended 31 December 2009 were audited by Anhui ZhiLian Certified Public Accountants\* (安徽智聯會計師事務所), Certified Public Accountants registered in the PRC.
- (4) The statutory financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by Shenzhen Xingyuan Certified Public Accountants\* (深圳星源會計師事務所), Certified Public Accountants registered in the PRC.
- (5) The statutory financial statements for the years ended 31 December 2007 and 2008 were audited by Dongguan Discran Certified Public Accountants\* (東莞市德信康會計師事務所有限公司), Certified Public Accountants registered in the PRC. The statutory financial statements for the year ended 31 December 2009 were audited by Dongguan Yonghe Certified Public Accountants\* (東莞市永和會計師事務所有限公司), Certified Public Accountants registered in the PRC.
- (6) The statutory financial statements for the years ended 31 December 2008 and 2009 were audited by Fung, Yu & Co., Certified Public Accountants registered in Hong Kong.

- (7) No audited financial statements have been prepared for companies incorporated in the United States and the British Virgin Islands, as they are not subject to any statutory audit requirements in their jurisdictions of establishment.
- (8) The statutory financial statements for the year ended 31 December 2007 were audited by Leung Siu Wo & Co., Certified Public Accountants registered in Hong Kong and the statutory financial statements for the years ended 31 December 2008 and 2009 were audited by Klis & Associates CPA Limited, Certified Public Accountants registered in Hong Kong.
- (9) No statutory financial statements have been prepared for this subsidiary as the company has been inactive from its incorporation to the year ended 31 December 2009.
- (10) The statutory financial statements for the years ended 31 December 2007 and 2008 were audited by Jiangsu Tian Cheng Certified Public Accountants Co., Ltd.\* (江蘇天誠會計師事務所有限公司), Certified Public Accountants registered in the PRC. No statutory financial statements have been prepared for the year ended 31 December 2009 as there is no statutory requirement for the company to prepare audited financial statements.
- (11) No statutory financial statements have been prepared for these subsidiaries as there is no statutory requirement for these companies to prepare audited financial statements.
- (12) The statutory financial statements for the years ended 31 December 2007 and 2008 were audited by YunNan HengXin Certified Public Accountants Co., Ltd.\* (雲南恒信會計師事務所有限公司), Certified Public Accountants registered in the PRC. The statutory financial statements for the year ended 31 December 2009 were audited by Yunnan GaoLu Certified Public Accountants\* (雲南高路會計師事務所), Certified Public Accountants registered in the PRC.
- \* The English names of the subsidiaries and auditors registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.
- # PRC is refer to the mainland of the People's Republic of China.

## 5. SEGMENT INFORMATION

The Group is engaged in the manufacture and sale of lead-acid batteries. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the manufacture and sale of lead-acid batteries.

No operating segments have been aggregated to form the above reportable operating segment.

### *Geographical information*

#### (a) Revenue from external customers

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
PRC .....	421,824	557,300	625,398	269,173	361,831
European Union.....	277,019	332,930	248,439	112,525	192,885
United States of America .....	204,005	333,815	256,199	117,839	167,210
Other Asian countries/areas .....	159,928	209,725	202,198	78,325	182,676
Other countries .....	66,353	65,227	59,299	22,717	39,778
	<u>1,129,129</u>	<u>1,498,997</u>	<u>1,391,533</u>	<u>600,579</u>	<u>944,380</u>

The revenue information above is based on the location of the customers.

#### (b) Non-current assets

All significant operating assets of the Group are located in PRC. Accordingly, no geographical information of segment assets is presented.

*Information about major customers*

During the year ended 31 December 2007, the Group made sales to two customers of RMB200,300,000 and RMB127,922,000, respectively, which individually exceeded 10% of the Group's total revenue for that year.

During the year ended 31 December 2008, the Group made sales to two customers of RMB312,348,000 and RMB156,764,000, respectively, which individually exceeded 10% of the Group's total revenue for that year.

During the year ended 31 December 2009, the Group made sales to two customers of RMB264,019,000 and RMB204,991,000, respectively, which individually exceeded 10% of the Group's total revenue for that year.

During the six months ended 30 June 2010, the Group made sales to two customers of RMB148,570,000 and RMB128,233,000, respectively, which individually exceeded 10% of the Group's total revenue for that period.

During the six months ended 30 June 2009, the Group made sales to two customers of RMB122,862,000 (unaudited) and RMB93,040,000 (unaudited), respectively, which individually exceeded 10% of the Group's total revenue for that period.

Details of the concentration of credit risk arising from the customers are set out in note 36.

**6. REVENUE, OTHER INCOME AND GAINS**

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold. An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Revenue</b>					
Sale of goods .....	1,129,129	1,498,997	1,391,533	600,579	944,380
<b>Other income and gains</b>					
Rental income .....	2,446	1,087	186	174	20
Bank interest income.....	887	255	610	189	157
Government grants .....	817	7,233	17,145	10,403	3,836
Sale of scrap materials .....	506	1,193	1,096	411	143
Others .....	1,242	392	1,524	376	1,304
	5,898	10,160	20,561	11,553	5,460

Government grants represented cash payments and subsidies on electricity costs granted by the local finance bureau to the Group as an encouragement to its investment and technological innovation. There are no unfulfilled conditions or contingencies relating to such subsidies.

**7. FINANCE COSTS**

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loan interest.....	4,407	5,772	6,549	3,272	8,687
Interest arising from discounted bills .....	998	2,571	3,065	1,353	911
	5,405	8,343	9,614	4,625	9,598

## 8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of inventories sold .....	979,696	1,295,102	1,102,083	479,207	699,521
Employee benefit expense (including directors' remuneration as set out in <i>note 9</i> ):					
Wages and salaries.....	69,325	87,195	108,803	48,168	82,489
Equity-settled share option expenses .....	–	–	–	–	970
Retirement benefit scheme contributions .....	4,198	3,931	5,658	2,304	4,063
	<u>73,523</u>	<u>91,126</u>	<u>114,461</u>	<u>50,472</u>	<u>87,522</u>
Research and development costs .	9,336	6,322	10,853	5,083	8,035
Auditors' remuneration.....	66	135	135	118	141
Pre-IPO expenses .....	–	–	–	–	7,568
Depreciation of property, plant and equipment ( <i>note 14</i> ) .....	16,018	22,817	32,044	15,659	20,360
Amortisation of prepaid land lease payments ( <i>note 15</i> ) .....	551	864	919	447	530
Amortisation of intangible assets* ( <i>note 16</i> ).....	118	148	324	160	178
Amortisation of deferred government grants .....	(341)	(626)	(857)	(512)	(264)
Impairment/(write-back of impairment) of trade receivables ( <i>note 20</i> ).....	1,518	901	688	–	(838)
Minimum lease payments under operating leases.....	7,832	6,993	5,839	2,669	2,505
Exchange differences, net .....	6,264	7,644	780	966	832
Loss/(gain) on disposal of items of property, plant and equipment .....	<u>55</u>	<u>11</u>	<u>11</u>	<u>(22)</u>	<u>(57)</u>

\* The amortisation of intangible assets is included in "Administrative expenses" in the consolidated statements of comprehensive income.

## 9. DIRECTORS' REMUNERATION

Directors' remuneration during the Relevant Periods, disclosed pursuant to the Listing Rules is as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind .....	278	1,446	1,562	647	926
Performance related bonuses .....	–	–	–	–	–
Equity-settled share option expenses.....	–	–	–	–	64
Retirement benefit scheme contributions .....	9	9	8	4	5
	<u>287</u>	<u>1,455</u>	<u>1,570</u>	<u>651</u>	<u>995</u>

*(a) Executive directors*

The remuneration of each of the directors for the year ended 31 December 2007 is set out below:

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expenses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors:					
Mr. Dong Li .....	184	–	–	7	191
Ms. Zhao Huan .....	94	–	–	2	96
Mr. Philip Armstrong Noznesky .....	–	–	–	–	–
	<u>278</u>	<u>–</u>	<u>–</u>	<u>9</u>	<u>287</u>

The remuneration of each of the directors for the year ended 31 December 2008 is set out below:

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expenses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors:					
Mr. Dong Li .....	184	–	–	7	191
Ms. Zhao Huan .....	99	–	–	2	101
Mr. Philip Armstrong Noznesky .....	1,163	–	–	–	1,163
	<u>1,446</u>	<u>–</u>	<u>–</u>	<u>9</u>	<u>1,455</u>



The remuneration of each of the directors for the year ended 31 December 2009 is set out below:

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expenses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors:					
Mr. Dong Li .....	318	–	–	7	325
Ms. Zhao Huan .....	114	–	–	1	115
Mr. Philip Armstrong Noznesky .....	1,130	–	–	–	1,130
	<u>1,562</u>	<u>–</u>	<u>–</u>	<u>8</u>	<u>1,570</u>

The remuneration of each of the directors for the six-month period ended 30 June 2009 is set out below:

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expenses	Retirement benefit scheme contributions	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Name of directors:					
Mr. Dong Li .....	131	–	–	3	134
Ms. Zhao Huan .....	58	–	–	1	59
Mr. Philip Armstrong Noznesky .....	458	–	–	–	458
	<u>647</u>	<u>–</u>	<u>–</u>	<u>4</u>	<u>651</u>

The remuneration of each of the directors for the six-month period ended 30 June 2010 is set out below:

	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expenses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors:					
Mr. Dong Li .....	226	–	–	3	229
Ms. Zhao Huan .....	61	–	34	2	97
Mr. Philip Armstrong Noznesky .....	639	–	30	–	669
	<u>926</u>	<u>–</u>	<u>64</u>	<u>5</u>	<u>995</u>

During the Relevant Periods, two directors were granted share options, in respect of their services to the Group, under the pre-IPO share option scheme of the Company, further details of which are set out in note 31 to the Financial Information. The fair value of such options which has been recognised in the consolidated statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the six-month period ended 30 June 2010 is included in the above directors' remuneration disclosure.

There was no arrangement under which directors waived or agreed to waive any remuneration during the Relevant Periods and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

No emoluments were paid to the non-executive directors and independent non-executive directors of the Company during the Relevant Periods.

#### 10. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals within the Group during the Relevant Periods is as follows:

	Number of employees				
	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009 (Unaudited)	2010
Directors .....	1	1	2	2	2
Non-director employees .....	4	4	3	3	3
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Details of directors' remuneration are set out in note 9 above.

Details of the remuneration of the above non-director, highest paid individuals are as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind .....	772	970	957	413	666
Performance related bonuses .....	–	–	–	–	–
Equity-settled share option expense.....	–	–	–	–	134
Retirement benefit scheme contributions .....	14	8	5	3	6
	<u>786</u>	<u>978</u>	<u>962</u>	<u>416</u>	<u>806</u>

The number of non-director, highest paid individuals whose remuneration fell within the following band is as follows:

	Number of employees				
	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009 (Unaudited)	2010
Nil to RMB1,000,000 .....	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Relevant Periods, share options were granted to two non-director, highest paid employee in respect of their services to the Group, under the pre-IPO share option scheme of the Company, further details of which are set out in note 31 to the Financial Information. The fair value of such options, which has been recognised in the consolidated statement of comprehensive income over the vesting period was determined as at the date of grant and the amount is included in above non-director, highest paid employees' remuneration disclosure for the six-months ended 30 June 2010.

During the Relevant Periods, no highest paid individuals waived or agreed to waive any emoluments and no emoluments were paid by the Group to the non-director, highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

## 11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in this jurisdiction.

The subsidiary incorporated in the United States is not subject to income tax for the period from 1 January 2007 to 31 May 2010 as such subsidiary made an election to be treated as a small business corporation ("S corporation") for the United States federal income tax purpose. In general, a U.S. domestic corporation is eligible to make an S corporation election if it does not have more than 100 shareholders, does not have shareholder who is not an individual, does not have non-resident as a shareholder, and does not have more than one class of stock. During the above period, the subsidiary is an eligible entity for a S corporation election as it is a U.S. domestic corporation that has only a single U.S. citizen shareholder. Moreover, the subsidiary has only one class of stock. S corporations are corporations that elect to pass corporate income, losses, deductions and credit through to their shareholders for federal tax purposes. As such, the subsidiary is not subject to corporate level tax in the United States, except for certain built-in gains and passive income. The subsidiary is no longer qualified as an S corporation since 1 June 2010 and has been subject to corporate income tax in the United States since then. The applicable federal corporate income tax rate is in the range of 15%-35% regarding to taxable income.

The subsidiaries incorporated in the British Virgin Islands are not subject to income tax as such subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the British Virgin Islands.

The subsidiaries incorporated in the United Kingdom and Singapore are not subject to income tax as such subsidiaries have no taxable income.

The provision for Hong Kong current tax is based on the statutory rate of 17.5% (for the year of assessment 2007/08) and 16.5% (for the year of assessment 2008/09 onwards) of the assessable profits of the Group. No provision for Hong Kong profits tax has been made by Kinetic Growth as it did not carry on any business in Hong Kong and had no assessable profits arising in or derived from Hong Kong during the Relevant Periods. The operations of Kinetic Growth were carried out in the PRC by the PRC subsidiaries of the Group. Such arrangement may have PRC tax exposures. The relevant potential PRC income tax provision has been recognised by the Group by way of allocating the profits of Kinetic Growth to the respective PRC subsidiaries based on the total cost of goods purchased by Kinetic Growth from each PRC subsidiaries.

The provision for PRC current income tax is based on the statutory rate of 25% (2007: 33%) of the assessable profits of the Group as determined in accordance with the new PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in PRC which are charged for tax at preferential rates.

In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, Anhui Leoch Battery, Zhaoqing Leoch and Jiangsu Leoch were exempted from corporate income tax ("CIT") for two years and were entitled to a 50% reduction in the PRC CIT for the subsequent three years ("CIT Exemption"). The six-month period ended 30 June 2010 was the third year for Anhui Leoch Battery and Zhaoqing Leoch and the fifth year for Jiangsu Leoch to enjoy the CIT Exemption.

Pursuant to the transitional arrangement under the new PRC Corporate Income Tax Law, the income tax rate applicable to Shenzhen Leoch will be gradually increased from the rate of 18% to the unified rate of 25% over five years commencing from year 2008. Meanwhile, Dongguan Leoch, another PRC subsidiary, was recognised as a high-tech enterprise by the PRC tax authority in 2008 with an effective period of three years from year 2008 to year 2010 and was entitled to a 15% CIT rate from 1 January 2008 onwards.

The major components of income tax charge/credit for the Relevant Periods are as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax – PRC .....	1,951	13,187	13,920	6,627	21,195
Current tax – Hong Kong .....	69	13	18	15	446
Deferred tax ( <i>note 18</i> ).....	261	(335)	585	191	1,342
Total tax charge for the period/year .....	<u>2,281</u>	<u>12,865</u>	<u>14,523</u>	<u>6,833</u>	<u>22,983</u>

A reconciliation of the income tax expense applicable to profit before tax multiplied by the applicable statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled (i.e., PRC) to the tax expense at effective tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax .....	<u>53,911</u>	<u>87,623</u>	<u>159,801</u>	<u>65,059</u>	<u>149,965</u>
Tax at an applicable tax rate (33% in 2007, 25% in 2008 and 2009 and six-month period ended 30 June 2010).....	17,791	21,906	39,950	16,265	37,491
Tax concession for certain subsidiaries.....	(16,432)	(9,489)	(25,819)	(9,511)	(16,990)
Income not subject to tax.....	(119)	(10)	(478)	(205)	(1,202)
Expenses not deductible for tax...	1,041	458	380	162	2,513
Withholding tax on undistributed earnings .....	–	–	490	122	1,171
Tax charge at the Group's effective rate.....	<u>2,281</u>	<u>12,865</u>	<u>14,523</u>	<u>6,833</u>	<u>22,983</u>

## 12. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on the basis as disclosed in note 2 above.

**13. DIVIDENDS**

No dividend has been paid or declared by the Company since the date of its incorporation.

The dividends paid or declared by the Company's subsidiaries to its then shareholders during the Relevant Periods were as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Dividends.....	7,000	34,938	10,142	10,142	147,656

**14. PROPERTY, PLANT AND EQUIPMENT***Group*

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Tooling and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>							
At 1 January 2007 .....	39,460	121,591	3,798	5,223	8,354	1,391	179,817
Additions .....	2,426	9,319	1,415	1,872	124	66,693	81,849
Transfers .....	3,868	3	–	–	630	(4,501)	–
Disposals .....	(41)	(195)	–	(135)	(153)	–	(524)
Exchange realignment.....	(15)	–	(2)	–	–	–	(17)
At 31 December 2007 and 1 January 2008 .....	45,698	130,718	5,211	6,960	8,955	63,583	261,125
Additions .....	452	31,184	2,601	3,082	4,854	78,943	121,116
Transfers .....	107,235	1,814	176	–	3,458	(112,683)	–
Disposals .....	(4)	(1,410)	(27)	(93)	(964)	–	(2,498)
Exchange realignment.....	(30)	–	(2)	–	–	–	(32)
At 31 December 2008 and 1 January 2009 .....	153,351	162,306	7,959	9,949	16,303	29,843	379,711
Additions .....	2,868	34,452	1,854	1,934	21,926	37,582	100,616
Transfers .....	62,503	832	360	–	233	(63,928)	–
Disposals .....	–	(2,379)	(235)	(412)	(416)	–	(3,442)
Exchange realignment.....	–	(90)	–	–	–	–	(90)
At 31 December 2009 and 1 January 2010 .....	218,722	195,121	9,938	11,471	38,046	3,497	476,795
Additions .....	283	19,273	5,848	786	3,161	34,064	63,415
Transfers .....	1,695	–	–	–	–	(1,695)	–
Disposals .....	–	–	(32)	(296)	(79)	–	(407)
At 30 June 2010 .....	220,700	214,394	15,754	11,961	41,128	35,866	539,803

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Tooling and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Accumulated depreciation and impairment:</b>							
At 1 January 2007 .....	(2,558)	(33,772)	(1,147)	(1,293)	(1,509)	–	(40,279)
Charge for the year .....	(1,818)	(10,688)	(828)	(1,049)	(1,635)	–	(16,018)
Disposals .....	–	42	–	53	33	–	128
Exchange realignment.....	9	–	1	–	–	–	10
At 31 December 2007 and 1 January 2008 .....	(4,367)	(44,418)	(1,974)	(2,289)	(3,111)	–	(56,159)
Charge for the year .....	(5,109)	(13,520)	(1,138)	(1,220)	(1,830)	–	(22,817)
Disposals .....	4	304	24	61	325	–	718
Exchange realignment.....	12	–	1	–	–	–	13
At 31 December 2008 and 1 January 2009 .....	(9,460)	(57,634)	(3,087)	(3,448)	(4,616)	–	(78,245)
Charge for the year .....	(7,626)	(16,944)	(1,480)	(1,739)	(4,255)	–	(32,044)
Disposals .....	–	391	204	190	296	–	1,081
At 31 December 2009 and 1 January 2010 .....	(17,086)	(74,187)	(4,363)	(4,997)	(8,575)	–	(109,208)
Charge for the period .....	(4,820)	(9,524)	(966)	(1,000)	(4,050)	–	(20,360)
Disposals .....	–	–	25	272	75	–	372
At 30 June 2010 .....	(21,906)	(83,711)	(5,304)	(5,725)	(12,550)	–	(129,196)
<b>Net book amount:</b>							
At 31 December 2007 .....	41,331	86,300	3,237	4,671	5,844	63,583	204,966
At 31 December 2008 .....	143,891	104,672	4,872	6,501	11,687	29,843	301,466
At 31 December 2009 .....	201,636	120,934	5,575	6,474	29,471	3,497	367,587
At 30 June 2010 .....	198,794	130,683	10,450	6,236	28,578	35,866	410,607

The net book amount of items of property, plant and equipment pledged as security for interest-bearing bank borrowings granted to the Group are as follows (note 25):

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings .....	18,675	17,707	86,322	144,000
Plant and machinery .....	81,569	96,895	93,927	109,431
Total .....	100,244	114,602	180,249	253,431

As at the date of this report, the Group has not obtained certificates of real estate ownership from the relevant PRC government authorities for certain buildings with a carrying amount of RMB8,334,000 at 30 June 2010. The management is in the process of obtaining these certificates. Until obtaining receipt of the certificates, the Group has no right to assign or pledge these buildings.

## 15. PREPAID LAND LEASE PAYMENTS

*Group*

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
<b>At cost:</b>				
At beginning of year/period .....	21,321	41,434	43,388	46,987
Additions .....	20,113	1,954	3,599	14,980
At end of year/period .....	41,434	43,388	46,987	61,967
<b>Accumulated amortisation:</b>				
At beginning of year/period .....	1,267	1,818	2,682	3,601
Charge for the year/period .....	551	864	919	530
At end of year/period .....	1,818	2,682	3,601	4,131
<b>Net book amount:</b>				
At end of year/period .....	39,616	40,706	43,386	57,836
Less: current portion included in prepayments, deposits and other receivables .....	(828)	(867)	(946)	(1,278)
	38,788	39,839	42,440	56,558
Net book amount pledged (notes 25 and 26) .....	12,112	11,845	27,944	42,408

The leasehold land is held under a long term lease and is situated in PRC.

## 16. INTANGIBLE ASSETS

*Group*

	<u>Computer software</u>
	RMB'000
<b>Cost:</b>	
At 1 January 2007 .....	415
Additions.....	362
Disposals.....	(371)
At 31 December 2007 and 1 January 2008 .....	406
Additions.....	2,522
At 31 December 2008 and 1 January 2009 .....	2,928
Additions.....	363
At 31 December 2009 and 1 January 2010 .....	3,291
Additions.....	952
At 30 June 2010 .....	4,243
<b>Accumulated amortisation:</b>	
At 1 January 2007 .....	61
Charge for the year .....	118
Disposals.....	(79)
At 31 December 2007 and 1 January 2008 .....	100
Charge for the year .....	148
At 31 December 2008 and 1 January 2009 .....	248
Charge for the year .....	324
At 31 December 2009 and 1 January 2010 .....	572
Charge for the period .....	178
At 30 June 2010 .....	750
<b>Net book amount:</b>	
At 31 December 2007.....	306
At 31 December 2008.....	2,680
At 31 December 2009.....	2,719
At 30 June 2010 .....	3,493

## 17. INTERESTS IN SUBSIDIARIES

*Company*

	<u>As at 30 June 2010</u>
	RMB'000
Unlisted shares, at cost .....	338,800

The amounts due to subsidiaries included in the Company's current liabilities of RMB10,091,000 are unsecured, interest-free and are repayable on demand.



**18. DEFERRED TAX**

Details of the deferred tax assets/(liabilities) recognised and their movements during the Relevant Periods are set out below:

*Deferred tax assets*

Group	Provision for impairment of trade receivable	Provision for impairment of property, plant and equipment	Provision for obsolete inventories	Decelerated tax on pre-operating expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007.....	34	1,676	94	48	1,852
Deferred tax credited to profit or loss during the year ( <i>note 11</i> ) ..	79	—	—	—	79
Gross deferred tax assets at 31 December 2007 and 1 January 2008 .....	113	1,676	94	48	1,931
Deferred tax credited/(charged) to profit or loss during the year ( <i>note 11</i> ) .....	140	(189)	(94)	(34)	(177)
Gross deferred tax assets at 31 December 2008 and 1 January 2009 .....	253	1,487	—	14	1,754
Deferred tax credited/(charged) to profit or loss during the year ( <i>note 11</i> ) .....	77	(189)	—	(14)	(126)
Gross deferred tax assets at 31 December 2009 and 1 January 2010 .....	330	1,298	—	—	1,628
Deferred tax charged to profit or loss during the period ( <i>note 11</i> ) .....	(124)	(94)	—	—	(218)
Gross deferred tax assets at 30 June 2010 .....	206	1,204	—	—	1,410

*Deferred tax liabilities***Group**

	Reversal of welfare payable	Undistributed profits of the PRC subsidiaries	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2007.....	467	–	467
Deferred tax charged to profit or loss during the year (note 11).....	340	–	340
Gross deferred tax liabilities at 31 December 2007 and 1 January 2008.....	807	–	807
Deferred tax credited to profit or loss during the year (note 11).....	(512)	–	(512)
Gross deferred tax liabilities at 31 December 2008 and 1 January 2009.....	295	–	295
Deferred tax charged/(credited) to profit or loss during the year (note 11).....	(31)	490	459
Gross deferred tax liabilities at 31 December 2009 and 1 January 2010.....	264	490	754
Deferred tax charged/(credited) to profit or loss during the period (note 11).....	(47)	1,171	1,124
Gross deferred tax liabilities at 30 June 2010 .....	217	1,661	1,878

Pursuant to the new PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in PRC in respect of earnings generated from 1 January 2008.

**19. INVENTORIES***Group*

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials .....	29,475	14,339	34,897	71,335
Work in progress.....	51,784	33,103	80,321	124,796
Finished goods.....	74,300	51,127	65,441	115,314
	155,559	98,569	180,659	311,445
Less: Provision for obsolete inventories ...	(755)	–	–	–
	154,804	98,569	180,659	311,445

## 20. TRADE AND BILLS RECEIVABLES

*Group*

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables .....	194,008	244,973	365,570	460,792
Bills receivable .....	661	–	949	1,434
Less: Impairment provision .....	(6,634)	(6,092)	(6,780)	(5,196)
	188,035	238,881	359,739	457,030
Less: Non-current portion .....	(3,623)	(9,373)	(19,346)	(14,035)
Current portion .....	184,412	229,508	340,393	442,995

The Group grants different credit periods to customers. The credit period of individual customers is considered on a case-by-case basis. Certain customers are required to make partial payment before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables and bills receivable approximate to their fair values.

As at 30 June 2010, the Group had discounted certain trade and bills receivables amounting to RMB2,568,000 (31 December 2009: RMB969,000; 31 December 2008: RMB815,000; 31 December 2007: RMB2,434,000) to banks with recourse in exchange for cash. The proceeds from transferring the trade and bills receivables of RMB2,568,000 (31 December 2009: RMB969,000; 31 December 2008: RMB815,000; 31 December 2007: RMB2,434,000) were accounted for as collateralised bank advances until the bills were collected or the Group made good of any losses incurred by the banks (note 25).

An aged analysis of the trade and bills receivables as at 31 December 2007, 2008 and 2009, and 30 June 2010 based on the invoice date, net of provisions, is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Outstanding balances with ages:				
Within 90 days .....	157,371	189,905	268,565	314,820
91 to 180 days .....	18,466	38,629	42,245	78,074
181 to 365 days .....	9,337	7,023	41,019	50,011
1 to 2 years .....	2,858	2,463	6,830	12,900
Over 2 years .....	3	861	1,080	1,225
	188,035	238,881	359,739	457,030

Movements in the provision for impairment of trade receivables during each of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period .....	5,166	6,634	6,092	6,780
Impairment loss recognised .....	1,518	901	688	145
Amount written off as uncollectible .....	(14)	(1,443)	–	(746)
Impairment losses reversed .....	–	–	–	(983)
Exchange differences .....	(36)	–	–	–
At end of year/period .....	<u>6,634</u>	<u>6,092</u>	<u>6,780</u>	<u>5,196</u>

The above provision for impairment of trade receivables relate to individual customers that were in financial difficulties and the receivables that are not expected to be recoverable. These balances were fully provided for. The Group does not hold any collateral or other credit enhancements over these balances.

The carrying amounts of deposits and the trade and bills receivables pledged as security for interest-bearing bank loans granted to the Group are as follows (note 25):

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables .....	<u>2,434</u>	<u>815</u>	<u>969</u>	<u>2,568</u>

The analysis of trade and bills receivables that were not considered to be impaired is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired .....	188,032	238,020	358,659	455,805
Past due over 1 year but not impaired .....	3	861	1,080	1,225
	<u>188,035</u>	<u>238,881</u>	<u>359,739</u>	<u>457,030</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

**21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES***Group*

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments .....	1,565	1,701	3,602	5,378
Deposits and other receivables .....	6,199	11,094	24,924	35,501
	<u>7,764</u>	<u>12,795</u>	<u>28,526</u>	<u>40,879</u>

The carrying amounts of other receivables approximate to their fair values.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

**22. CASH AND BANK BALANCES AND PLEDGED DEPOSITS***Group*

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances .....	22,452	35,718	43,189	78,970
Pledged deposits .....	8,666	15,119	18,754	53,890
	<u>31,118</u>	<u>50,837</u>	<u>61,943</u>	<u>132,860</u>
Denominated in RMB .....	26,538	39,561	57,024	111,251
Denominated in US\$ .....	4,369	11,044	4,419	21,190
Denominated in HK\$ .....	211	207	492	415
Denominated in EUR .....	–	25	8	4
	<u>31,118</u>	<u>50,837</u>	<u>61,943</u>	<u>132,860</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances and pledged deposits approximate to their fair values. The RMB is not freely convertible into other currencies; however, under PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

**23. AMOUNT DUE TO A DIRECTOR***Group*

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to a director of the Company .	<u>15,199</u>	<u>59,817</u>	<u>58,476</u>	<u>70,156</u>

The amount due to a director is interest-free, unsecured and repayable on demand.

Subsequent to 30 June 2010, the amount due to a director was settled.

## 24. BALANCES WITH RELATED COMPANIES

		As at 31 December			As at
		2007	2008	2009	30 June
		RMB'000	RMB'000	RMB'000	2010
				RMB'000	
Amounts due from related parties					
Access Bright Group Limited.....	(iii)	328	1,703	308	14
D&P International Research and Development Corp. ....	(i)	–	2,204	18,147	17,957
Marshell International Inc. ....	(i)	–	–	13,552	–
Shanghai Donmin Vehicle Co., Ltd.....	(ii)	–	139	–	–
Shanghai Leoch Power Supply Co., Ltd. ....	(ii)	–	8,500	2,238	4,108
Shenzhen Marshell Green Power Co., Ltd. ....	(ii)	1,544	4,767	–	–
Shenzhen Marshell Power Supply Co., Ltd. ...	(ii)	18,310	–	–	–
Shenzhen Marxon Power Supply Co., Ltd. ....	(ii)	194	–	–	–
Uplus Batteries Private Limited .....	(ii)	587	2,270	–	–
		<u>20,963</u>	<u>19,583</u>	<u>34,245</u>	<u>22,079</u>

		As at 31 December			As at
		2007	2008	2009	30 June
		RMB'000	RMB'000	RMB'000	2010
				RMB'000	
Amounts due to related parties					
D&P International Research and Development Corp. ....	(i)	1,104	–	–	–
Dongguan Leoch Power Supply Co., Ltd. ....	(ii)	15,544	24,137	18,640	12,984
Leoch Holding Co., Ltd. ....	(iv)	–	1,235	1,233	1,222
Leoch International (H.K.) Ltd.....	(ii)	2,718	8,925	6,151	16,831
Leoch Asia Pacific Pte Ltd.....	(i)	–	–	–	4,767
Marshell International Inc. ....	(i)	466	2,299	–	1,523
Shanghai Leoch Power Supply Co., Ltd. ....	(ii)	1,630	–	–	–
Shanghai Donmin Vehicle Co., Ltd. ....	(ii)	19,801	–	13,439	9,237
Shenzhen Marshell Green Power Co., Ltd. ....	(ii)	1,384	–	10,837	9,897
Shenzhen Marshell Power Supply Co., Ltd. ...	(ii)	–	4,608	3,000	3,555
Shenzhen Marxon Power Supply Co., Ltd. ....	(ii)	–	4,113	391	5,111
Uplus Batteries Private Limited .....	(i)	–	–	692	–
		<u>42,647</u>	<u>45,317</u>	<u>54,383</u>	<u>65,127</u>

The maximum balances outstanding for amounts due from related parties during the Relevant Periods were as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Access Bright Group Limited .....	328	1,703	308	14
D&P International Research and Development Corp. ....	–	2,204	18,147	17,957
Marshell International Inc. ....	–	–	13,552	4,620
Shanghai Donmin Vehicle Co., Ltd. ....	–	465	–	2,019
Shanghai Leoch Power Supply Co., Ltd. ...	–	8,500	2,238	4,108
Shenzhen Marshell Green Power Co., Ltd..	7,671	4,767	–	–
Shenzhen Marshell Power Supply Co., Ltd. ....	24,274	–	–	–
Shenzhen Marxon Power Supply Co., Ltd..	900	–	–	–
Uplus Batteries Private Limited .....	587	2,270	–	–
	<u>33,760</u>	<u>19,909</u>	<u>34,245</u>	<u>28,718</u>

*Notes:*

- (i) The balances are non-trade in nature, unsecured, interest-free and have no fixed term of repayment. The related companies are controlled by Mr. Dong Li, a director and controlling shareholder of the Company.
- (ii) The balances are trade in nature, unsecured, interest-free and have no fixed terms of repayment. The related companies are controlled by Mr. Dong Li, a director and controlling shareholder of the Company.
- (iii) The balance is an advance to the related party to finance its operation. The balance is unsecured, interest-free and has no fixed term of repayment. The related company is controlled by Mr. Dong Li, a director and controlling shareholder of the Company.
- (iv) The balance is an advance from the related party to finance the Group's operation. The balance is unsecured, interest-free and has no fixed term of repayment. The related company is controlled by Mr. Dong Li, a director and controlling shareholder of the Company.

The nature of the transactions with related parties is disclosed in note 35.

Subsequent to 30 June 2010, the non-trade balances with related parties were settled.

The carrying amounts of the balances due from/to related parties approximate to their fair values.

## 25. INTEREST-BEARING BANK BORROWINGS

*Group*

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans, secured.....	62,721	62,735	172,362	292,749
Collateralised bank advances, secured.....	2,434	815	969	2,568
Total.....	65,155	63,550	173,331	295,317
Denominated in RMB.....	61,000	57,000	166,900	288,568
Denominated in US\$.....	4,155	6,550	6,431	6,749
	65,155	63,550	173,331	295,317
The bank loans bear interest at rates per annum of:.....	6.12% to 7.52%	4.75% to 7.47%	2.28% to 5.31%	2.28% to 5.84%

The above bank loans were all repayable within one year. The carrying amounts of the Group's bank loans approximate to their fair values.

*Notes:*

(a) The Group's bank borrowings are secured by the pledge or guarantees of the following:

(i) pledge of the Group's assets:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid land lease payments.....	12,112	11,845	27,944	42,408
Buildings.....	18,675	17,707	86,322	144,000
Plant and machinery.....	81,569	96,895	93,927	109,431
Trade and bills receivables.....	2,434	815	969	2,568
Pledged deposits.....	1,713	–	1,000	–
	116,503	127,262	210,162	298,407

(ii) guarantees executed by one of the directors and a related company to the extent of:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Personal guarantee by Mr. Dong Li*.....	–	–	5,463	55,462
Joint guarantee by Mr. Dong Li and Ms. Peng Hui*.....	–	13,669	–	–
Corporate guarantee by a related company Dongguan Leoch Power Supply Co., Ltd. ....	30,000	–	30,000	30,000
	30,000	13,669	35,463	85,462

\* Mr. Dong Li is a director and controlling shareholder of the Company and Ms. Peng Hui is the wife of Mr. Dong Li.

Subsequent to 30 June 2010, the above guarantees were released.

(iii) cross guarantees executed by companies within the Group.



- (b) As at 31 December 2008, the Group could not meet the relevant debt covenants of bank loans of RMB5,468,000 in relation to the liquidity ratio and the carrying amount of the net assets of the subsidiary which entered into the loan agreement. For the bank loans outstanding as at 31 December 2008, the related debt covenants had been relinquished subsequent to the end of 2008.

## 26. TRADE AND BILLS PAYABLES

### Group

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables.....	69,973	73,149	74,211	135,527
Bills payable.....	30,278	68,414	88,895	156,951
	<u>100,251</u>	<u>141,563</u>	<u>163,106</u>	<u>292,478</u>

An aged analysis of outstanding trade and bills payables at 31 December 2007, 2008 and 2009, and 30 June 2010, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days.....	60,103	52,068	65,671	229,392
91 to 180 days .....	31,212	81,061	83,888	52,942
181 to 365 days .....	1,660	1,772	3,243	1,589
1 to 2 years .....	3,881	879	4,104	2,570
2 to 3 years .....	2,207	3,315	750	423
Over 3 years .....	1,188	2,468	5,450	5,562
	<u>100,251</u>	<u>141,563</u>	<u>163,106</u>	<u>292,478</u>

The trade payables are non-interest-bearing and are normally settled within 90 days. The carrying amounts of the trade payables approximate to their fair values.

As of 30 June 2010, bills payable are secured by:

- (i) the pledge of certain of the Group's bank balances amounting to RMB51,099,000 (31 December 2009: RMB15,779,000; 31 December 2008: RMB13,984,000; 31 December 2007: RMB6,494,000);
- (ii) prepaid land lease payments amounting to RMB10,584,000 as at 31 December 2009 (30 June 2010: Nil, 31 December 2008: Nil; 31 December 2007: Nil);
- (iii) a personal guarantee by Mr. Dong Li, a director and controlling shareholder of the Company, to the extent of RMB65,000,000 (31 December 2009: RMB65,000,000; 31 December 2008: RMB60,000,000; 31 December 2007: Nil), which was replaced by corporate guarantee provided by the Group;
- (iv) the pledge of office premises of a related company, Shenzhen Marshall Power Supply Co., Ltd., to the extent of RMB9,093,000 (31 December 2009: RMB9,350,000; 31 December 2008: RMB9,866,000; 31 December 2007: RMB10,383,000), which was replaced by corporate guarantee provided by the Group.

**27. OTHER PAYABLES AND ACCRUALS***Group*

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Payables for purchase of items of property, plant and equipment .....	15,573	19,798	20,332	15,580
Payables for purchase of prepaid land lease payment .....	–	1,801	1,801	–
Withholding tax payable on dividend .....	–	–	–	7,635
Advances from customers .....	19,255	14,591	19,406	21,994
Accrued expenses .....	19,110	14,771	18,251	22,134
Accrued payroll .....	5,821	9,015	9,621	13,689
Value-added tax payable .....	6,498	8,624	4,963	6,652
Deferred government grants .....	28,424	27,798	30,436	30,172
Provision for social insurance and retirement benefits .....	14,176	17,523	20,807	23,021
Other payables .....	3,988	4,429	4,933	5,321
	<u>112,845</u>	<u>118,350</u>	<u>130,550</u>	<u>146,198</u>

The carrying amounts of payables for purchase of items of property, plant and equipment, payables for purchase of prepaid land lease payment, accrued expenses, accrued payroll and other payables approximate to their fair values.

**28. DIVIDEND PAYABLE**

Dividend payable represented the outstanding balance of dividend declared by Jiangsu Leoch to D&P International Research and Development Corp.

Such dividend payable was settled subsequent to 30 June 2010.

**29. ORDINARY SHARE CAPITAL***Company*

	As at 30 June 2010
	HK\$'000
Authorised:	
3,800,000 ordinary shares of HK\$0.1 each .....	<u>380</u>
Issued and fully paid:	
1 ordinary share of HK\$0.1 each .....	<u>–</u>

The Company was incorporated in the Cayman Islands on 27 April 2010 with an initial authorised share capital of HK\$380,000 divided into 3,800,000 shares of a par value of HK\$0.1 each. On the date of incorporation, 1 ordinary share of HK\$0.1 was allotted, issued and credited as fully paid to its shareholder.

Subsequent to the Relevant Periods on 14 October 2010, the authorised share capital was further increased from HK\$380,000 divided into 3,800,000 shares to HK\$1,000,000,000 divided into 10,000,000,000 shares through the creation of 9,996,200,000 additional shares pursuant to the written resolution of the shareholder of the Company dated 14 October 2010.

### 30. RESERVES

#### (a) Group

##### Merger reserve

The merger reserve of the Group represents the capital contributions by Mr. Dong Li, a director and controlling shareholder of the Company, to the subsidiaries directly held by Mr. Dong Li before the Reorganisation. The additions during the Relevant Periods represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies, and the acquisition of non-controlling interests in the respective companies by the equity holders of the subsidiaries, which were consolidated from the effective date of acquisition. The deductions during the Relevant Periods represent the distribution of the paid-up capital of the subsidiaries to their then equity holders in exchange for their equity interest in the respective companies.

##### Statutory reserve fund

In accordance with the Company Law of the PRC and the respective articles of association of the companies registered in the PRC (the "PRC Companies"), each of the PRC Companies was required to allocate 10% of its profits after tax, as determined in accordance with the People's Republic of China accounting rules and regulations ("PRC GAAP"), to the statutory surplus reserve fund until such reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory reserve fund can be capitalised as issued capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

##### Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside PRC. The reserve is dealt with in accordance with the accounting policy set out in note 3.2.

##### Share option reserve

Details of the Company's share option schemes and the share options issued under the scheme are included in note 31 to the financial information.

#### (b) Company

	Shareholder's contribution	Share option reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010 .....	–	–	–	–
Total comprehensive income for the period.....	–	–	(7,568)	(7,568)
Contribution from shareholder .....	337,830	–	–	337,830
Issue of pre-IPO share option .....	–	970	–	970
	<u>337,830</u>	<u>970</u>	<u>(7,568)</u>	<u>331,232</u>

**31. SHARE OPTION SCHEME***Pre-IPO share option scheme*

The Company operates a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's operations. Eligible persons of the Pre-IPO Share Option Scheme include the Company's directors and other employees of the Group. The Pre-IPO Share Option Scheme became effective on 1 June 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The principal terms of the Pre-IPO Share Option Scheme, approved by written resolutions of the Company's sole shareholder passed on 25 May 2010, are as follows:

**(a) The grantees**

The Pre-IPO Share Option Scheme is available to the directors and employees (whether full time or part time) of any member of the Group.

**(b) Maximum number of shares to be allotted**

The maximum number of the shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall be 60,000,000 shares representing approximately 4.5% of the total issued share capital of the Company immediately after completion of the global offering, taking no account of the exercise of the over-allotment option.

**(c) Subscription price**

The subscription price in respect of each share under the Pre-IPO Share Option Scheme is determined by the board of directors at its discretion and set out in the relevant offer letters provided that it should not be less than the nominal value of the shares.

**(d) Duration of plan**

After the Latest Practicable Date, no further options will be offered or granted under the Pre-IPO Share Option Scheme but in other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and options which are granted on or before the Latest Practicable Date may continue to be exercisable in accordance with their terms of issue.

**(e) Exercise period and vesting period**

Options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner:

Exercise period	Maximum percentage of options exercisable	Vesting period
Anytime during the 10 years after the second anniversary of the date of offer of the options (the "Offer Date") .....	25% of the total number of options granted	Up to the date immediately before the second anniversary of the Offer Date
Anytime during the 9 years after the third anniversary of the Offer Date .....	25% of the total number of options granted	Up to the date immediately before the third anniversary of the Offer Date
Anytime during the 8 years after the fourth anniversary of the Offer Date .....	25% of the total number of options granted	Up to the date immediately before the fourth anniversary of the Offer Date
Anytime during the 7 years after the fifth anniversary of the Offer Date .....	25% of the total number of options granted	Up to the date immediately before the fifth anniversary of the Offer Date

**(f) Exercise of options**

Any exercise of an option granted under the Pre-IPO Share Option Scheme is conditional upon:

- (i) the listing committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the shares which may fall to be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme;
- (ii) the commencement of dealings in the shares on the Stock Exchange in any event by 30 June 2011;
- (iii) any such conditions as may be specified in the offer letter in respect of the grant of options.

Application has been made to the listing committee of the Stock Exchange for the approval of the listing of and permission to deal in the shares which may be issued pursuant to exercise of the options granted under the Pre-IPO Share Option Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 1 June 2010, an aggregate of 37,680,000 share options under the Pre-IPO Share Option Scheme were issued to two directors of the Company and 144 employees of the Group. The exercise prices and exercise periods of the Pre-IPO Share Options outstanding at the end of the Relevant Periods are as follows:

Number of options	Exercise price per share*	Exercise period
4,030,000	HK\$0.2	1 June 2012 to 1 June 2022
4,830,000	HK\$0.4	1 June 2012 to 1 June 2022
820,000	HK\$0.6	1 June 2012 to 1 June 2022
2,650,000	HK\$0.8	1 June 2012 to 1 June 2022
5,320,000	HK\$1.0	1 June 2012 to 1 June 2022
2,780,000	HK\$1.2	1 June 2012 to 1 June 2022
3,940,000	HK\$1.4	1 June 2012 to 1 June 2022
3,030,000	HK\$1.6	1 June 2012 to 1 June 2022
4,880,000	HK\$1.8	1 June 2012 to 1 June 2022
5,400,000	HK\$2.0	1 June 2012 to 1 June 2022
37,680,000		

\* The exercise prices of the Pre-IPO Share Options are at discount to the fair value of HK\$1.667 per ordinary share of the Company at the date of grant.

The fair value of the Pre-IPO Share Options granted was estimated at RMB36,655,000, of which the Company recognised a share option expense of RMB970,000 during the six-month period ended 30 June 2010.

The fair value of the Pre-IPO Share Options granted during the Relevant Periods was estimated as at the date of grant by Jones Lang LaSalle Sallmanns Limited, an independent firm of professionally qualified valuers, using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Exercise price (HK\$ per share)	0.2–2.0
Expected dividend yield (%)	–
Expected volatility (%)	62.47
Risk-free interest rate (%)	3.64
Expected life of share options (years)	10
Weighted average share price at grant date (HK\$ per share)	1.667

The expected life of the Pre-IPO Share Options is not necessarily indicative of the exercise patterns that may occur. The expected volatility may not necessarily reflect the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the Relevant Periods, the Company had outstanding Pre-IPO Share Options for the subscription of 37,680,000 shares under the Pre-IPO Share Option Scheme, which represented approximately 3.8% of the issued share capital of the Company as at that date. The exercise in full of the outstanding Pre-IPO Share Options would, under the present capital structure of the Company, result in the issue of 37,680,000 additional ordinary shares of the Company and additional share capital of HK\$3,768,000 (equivalent to RMB3,304,000) and share premium account of HK\$40,186,000 (equivalent to RMB35,232,000), before related issuance expenses.

**32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS***Major non-cash transactions***(a) Additions in property, plant and equipment**

During the six-month period ended 30 June 2010, the controlling shareholder of the Company contributed plant and machinery of RMB12,959,000 as capital injection in the Group.

During the six-month period ended 30 June 2010, the Group purchased certain equipments of RMB11,371,000 which were settled through the current account with a director, Mr. Dong Li.

**(b) Additions in prepaid land lease payments**

During the year ended 31 December 2007, the Group was granted government subsidies of RMB17,206,000 in the form of a waiver of land lease payments.

**(c) Acquisition of subsidiaries**

During the year ended 31 December 2008, the Group acquired 100% equity interest of Shenzhen Leoch from the controlling shareholder, Mr Dong Li, and a non-controlling shareholder at an aggregate consideration of RMB20,000,000, of which RMB600,000 was settled by cash with the non-controlling shareholder and RMB19,400,000 was settled through current account with a director, Mr. Dong Li.

During the year ended 31 December 2009, the Group acquired 100% equity interest of Leoch Power Supply from the controlling shareholder, Mr Dong Li, and a non-controlling shareholder at an aggregate consideration of RMB10,567,000 which was settled through current account with a director, Mr. Dong Li.

During the six-month period ended 30 June 2010, the Group acquired certain subsidiaries pursuant to the Reorganisation at an aggregate consideration of RMB2,571,000 from the controlling shareholder, Mr Dong Li, which was settled through current account with a director, Mr. Dong Li.

**33. OPERATING LEASE ARRANGEMENTS****(a) As lessor**

The Group leases its staff quarters, office premises and land under operating lease arrangements, with leases negotiated for terms ranging from five to fifty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within a year .....	1,407	273	60	64
In the second to fifth years, inclusive .....	316	169	214	202
After five years .....	689	672	755	734
	<u>2,412</u>	<u>1,114</u>	<u>1,029</u>	<u>1,000</u>

*(b) As lessee*

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to twenty years.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within a year .....	6,502	4,047	3,531	4,939
In the second to fifth years, inclusive .....	10,943	10,685	10,107	13,739
After five years .....	36,645	30,961	28,473	26,738
	<u>54,090</u>	<u>45,693</u>	<u>42,111</u>	<u>45,416</u>

Subsequent to 30 June 2010, the Group signed two separate supplemental agreements with lessors to shorten the lease periods of two operating leases. Accordingly, the above minimum lease payments in the second to fifth years was reduced by RMB6,292,000 (31 December 2009: RMB4,917,000, 31 December 2008: RMB2,416,000, 31 December 2007: Nil) and the above minimum lease payments after five years was reduced by RMB26,724,000 (31 December 2009: RMB28,473,000, 31 December 2008: RMB30,961,000, 31 December 2007: RMB36,645,000).

**34. COMMITMENTS**

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Land and building .....	65,346	18,683	937	1,265
Plant and machinery .....	12,145	13,365	15,098	50,970
	<u>77,491</u>	<u>32,048</u>	<u>16,035</u>	<u>52,235</u>



## 35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in the Financial Information, the Group had the following material transactions with related parties:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Nature of transactions</b>					
<b>Purchases of raw materials from related companies (note i)</b>					
Dongguan Leoch Power Supply Co., Ltd. ....	139,265	137,996	107,421	44,992	53,492
Shanghai Donmin Vehicle Co., Ltd. ....	2,440	8,399	6,198	3,611	2,537
Shenzhen Marshell Green Power Co., Ltd. ....	55,052	35,189	27,896	9,520	23,176
Shenzhen Marshell Power Supply Co., Ltd. ...	–	2,031	22,206	4,254	3,917
Shenzhen Marxon Power Supply Co., Ltd. ....	–	3,595	3,364	1,564	1,907
	<u>196,757</u>	<u>187,210</u>	<u>167,085</u>	<u>63,941</u>	<u>85,029</u>
<b>Sales of products to related companies (note i)</b>					
Dongguan Leoch Power Supply Co., Ltd. ....	2,449	1,828	17,367	122	10,973
Leoch International (H.K.) Ltd. ....	9,836	13,948	28,447	10,185	28,385
Shanghai Donmin Vehicle Co., Ltd. ....	2,540	3,388	5,507	410	1,972
Shanghai Leoch Power Supply Co., Ltd. ....	3,425	18,311	10,265	4,694	9,349
Shenzhen Marshell Green Power Co., Ltd. ....	6,778	6,585	8,627	2,009	4,155
Shenzhen Marshell Power Supply Co., Ltd. ...	127,831	26,772	302	302	346
Shenzhen Marxon Power Supply Co., Ltd. ....	29	4,008	941	625	6,522
Uplus Batteries Private Limited. ....	14,260	12,337	202	–	–
	<u>167,148</u>	<u>87,177</u>	<u>71,658</u>	<u>18,347</u>	<u>61,702</u>
<b>Lease of office premises from a related company and a director</b>					
Shenzhen Marshell Power Supply Co., Ltd. (note ii) ....	665	665	674	332	345
Eastern International LLC (note viii) ....	3,187	2,736	2,458	1,230	1,221
Mr. Dong Li (note iii) ....	–	–	–	–	83
	<u>3,852</u>	<u>3,401</u>	<u>3,132</u>	<u>1,562</u>	<u>1,649</u>
<b>Lease of office premises to a related company</b>					
Marshell International Inc (note iv) ....	<u>1,737</u>	<u>367</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Lease of a manufacturing plant from a related company (note v)</b>					
Dongguan Leoch Power Supply Co., Ltd. ....	<u>168</u>	<u>168</u>	<u>168</u>	<u>84</u>	<u>84</u>
<b>Lease of land to a related company (note vi)</b>					
Dongguan Leoch Power Supply Co., Ltd. ....	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Cash receipts on behalf of the Group by related companies (note vii)</b>					
Shenzhen Marshell Power Supply Co., Ltd. ...	909	1,154	40	–	–
Shenzhen Marshell Green Power Co., Ltd. ....	70	–	12	–	–
D&P International Research and Development Corp. ....	62,544	46,278	36,369	14,840	17,572
Marshell International Inc ....	235,760	266,393	195,807	91,084	195,205
	<u>299,283</u>	<u>313,825</u>	<u>232,228</u>	<u>105,924</u>	<u>212,777</u>
<b>Cash receipts by the Group on behalf of a related company</b>					
Shenzhen Marshell Power Supply Co., Ltd. ...	<u>3,970</u>	<u>906</u>	<u>–</u>	<u>–</u>	<u>–</u>

*Notes:*

- (i) The sales of products to and purchases of raw materials from related companies were made at prices mutually agreed between the parties.
- (ii) Rental expenses were paid in relation to the lease of office premises of the Group to Shenzhen Marshall Power Supply Co., Ltd. based on monthly rental of RMB55,394 for the period from 1 January 2007 to 31 August 2012.
- (iii) Rental expenses were paid in relation to the lease of office premises of the Group to Mr. Dong Li at an annual rent of RMB72,000 for the period from 1 January 2010 to 31 December 2015 and at an annual rent of SG\$39,000 for the period from 10 March 2010 to 10 March 2013.
- (iv) The rental income was received in relation to a sub-lease of office premise to Marshall International Inc based on a monthly rental of US\$23,300 for the first 3 months in 2007 and US\$17,666 from 1 April 2007 to 31 March 2008. The original lease term was up to 31 May 2008 and it was early terminated in March 2008.
- (v) Rental expenses were paid in relation to the lease of a manufacturing plant from Dongguan Leoch Power Supply Co., Ltd. at an annual rental of RMB168,000. On 30 June 2010, the Group entered into an agreement with Dongguan Leoch Power Supply Co., Ltd. to purchase this manufacturing plant at a future date when the conditions in the agreement are met. The consideration will be determined based on a third party valuation report at the future transfer date. The Group was granted by Dongguan Leoch Power Supply Co., Ltd. a license to use the manufacturing plant at nil consideration between the date of the agreement and the actual transfer date in future.
- (vi) A portion of land located in Dongguan was leased to Dongguan Leoch Power Supply Co., Ltd. during the Relevant Periods free of charge.
- (vii) The cash receipts on behalf of the Group by related companies represented settlement of trade receivables from customers. The directors confirm that the related parties will not receive cash on behalf of the Group after the Listing.
- (viii) Rental expenses were paid in relation to the lease of office premise of the Group to Eastern International LLC based on a monthly rental of US\$35,000 for the period from 1 January 2007 to 31 July 2008 and on a monthly rental of US\$30,000 for the period from 1 August 2008 to 31 December 2012.

Subsequent to 30 June 2010, Mr. Dong Li, a director and controlling shareholder of the Company, provided certain taxation and staff welfare related indemnity.

The Directors are of the view that all related party transactions set out above were entered into in the ordinary course of business of the Group.

(b) Outstanding balances with related parties:

Details of the Group's balances with its related parties at each of the end of the Relevant Periods together with maximum outstanding balances due from related parties during the particular year are disclosed in note 24 to the Financial Information.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Basic salaries and other benefits.....	1,050	2,613	3,039	1,286	1,945
Equity-settled share option expenses .....	–	–	–	–	266
Retirement benefit scheme contributions...	23	23	20	10	15
	<u>1,073</u>	<u>2,636</u>	<u>3,059</u>	<u>1,296</u>	<u>2,226</u>

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, amounts due to a director and related companies, trade and bills payables and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and bills receivables, amounts due from related parties as well as other receivables, which arise directly from its operations. The particular recognition methods adopted are disclosed in the accounting policy associated with each item.

It is, and has been during the Relevant Periods, the Group's policy that no trading in financial instruments should be undertaken.

The main risks arising from the Group's financial instruments are market risk, interest rate risk, foreign currency risk, credit risk, significant concentration of credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The Board reviews and agrees policies for managing each of the risks which are summarised below:

***Market risk***

The Group's production process requires a significant amount of electrolytic lead, ABS plastics, sulphuric acid and other materials, and the Group's success depends significantly on its ability to secure sufficient and constant supply of principal raw materials for its production at acceptable price levels. Electrolytic lead is the most significant raw material used in production. Average purchase price of electrolytic lead fluctuated significantly in the Relevant Periods. The Group does not have long-term, fixed-cost supply contracts of raw materials with its suppliers. Since many of the Group's sales are priced by reference to the market price of lead at the time of a particular order, its exposure to the risk of changes in price of lead is reduced.

***Interest rate risk***

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk. Since the Group's bank loans bear fixed interest and are due within one year, its exposure to the risk of changes in market interest rates is low.

***Foreign currency risk***

The Group operates in Hong Kong, the United States and PRC. For companies in PRC, their principal activities are transacted in RMB. For other companies outside of PRC, their principal activities are transacted in US\$. The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currency as the directors consider that the Group has no significant foreign currency risk exposure.

***Credit risk***

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, therefore, the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and bank balances and pledged deposits, deposits and other receivables and amounts due from related companies, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

***Significant concentration of credit risk***

Concentration of credit risk exists when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group had certain concentration of credit risk with the top five customers accounting for 53%, 47%, 64% and 51% of the Group's total trade receivable balances as at 31 December 2007, 2008 and 2009, and 30 June 2010, respectively. Sales to these customers accounted for 51%, 48%, 50% and 41% of the Group's total sales for the years ended 31 December 2007, 2008 and 2009 and the period ended 30 June 2010, respectively.

*Liquidity risk*

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

**Group**

31 December 2007	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank						
borrowings .....	1,722	15,524	50,539	–	–	67,785
Trade and bills payables.....	–	70,530	29,721	–	–	100,251
Other payables and accruals.....	–	44,492	–	–	–	44,492
Amount due to a director.....	15,199	–	–	–	–	15,199
Amounts due to related companies .....	42,647	–	–	–	–	42,647
	<u>59,568</u>	<u>130,546</u>	<u>80,260</u>	<u>–</u>	<u>–</u>	<u>270,374</u>
<b>31 December 2008</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Interest-bearing bank						
borrowings.....	5,468	19,299	40,397	–	–	65,164
Trade and bills payables.....	–	73,651	67,912	–	–	141,563
Other payables and accruals.....	–	49,814	–	–	–	49,814
Amount due to a director.....	59,817	–	–	–	–	59,817
Amounts due to related companies .....	45,317	–	–	–	–	45,317
	<u>110,602</u>	<u>142,764</u>	<u>108,309</u>	<u>–</u>	<u>–</u>	<u>361,675</u>
<b>31 December 2009</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Interest-bearing bank						
borrowings .....	5,462	84,565	86,741	–	–	176,768
Trade and bills payables.....	–	84,211	78,895	–	–	163,106
Other payables and accruals.....	–	54,938	–	–	–	54,938
Amount due to a director.....	58,476	–	–	–	–	58,476
Amounts due to related companies .....	54,383	–	–	–	–	54,383
	<u>118,321</u>	<u>223,714</u>	<u>165,636</u>	<u>–</u>	<u>–</u>	<u>507,671</u>

31 December 2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings .....	5,571	44,250	255,400	–	–	305,221
Trade and bills payables.....	–	229,392	63,086	–	–	292,478
Dividend payable .....	68,710	–	–	–	–	68,710
Other payables and accruals.....	–	56,724	–	–	–	56,724
Amounts due to a director.....	70,156	–	–	–	–	70,156
Amounts due to related companies .....	65,127	–	–	–	–	65,127
	<u>209,564</u>	<u>330,366</u>	<u>318,486</u>	<u>–</u>	<u>–</u>	<u>858,416</u>

### Company

The Company's financial liabilities which comprise amounts due to a director and subsidiaries based on the contractual payables were repayable on demand as at 30 June 2010.

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debts divided by total assets. The Group's total debts include interest-bearing bank borrowings, amount due to a director and amounts due to related companies (non-trade).

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings.....	65,155	63,550	173,331	295,317
Amount due to a director.....	15,199	59,817	58,476	70,156
Amounts due to related companies (non-trade) .....	1,570	3,534	1,925	7,512
Total debts.....	<u>81,924</u>	<u>126,901</u>	<u>233,732</u>	<u>372,985</u>
Total assets .....	<u>655,362</u>	<u>793,564</u>	<u>1,091,192</u>	<u>1,454,231</u>
Gearing ratio .....	<u>12.5%</u>	<u>16.0%</u>	<u>21.4%</u>	<u>25.6%</u>

## 37. FINANCIAL INSTRUMENT BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the reporting date are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Loans and receivables</b>				
Long term portion of trade receivables.....	3,623	9,373	19,346	14,035
Trade and bills receivables .....	184,412	229,508	340,393	442,995
Deposits and other receivables .....	6,199	11,094	24,924	35,501
Amounts due from related companies.....	20,963	19,583	34,245	22,079
Pledged deposits .....	8,666	15,119	18,754	53,890
Cash and bank balances .....	22,452	35,718	43,189	78,970
	<u>246,315</u>	<u>320,395</u>	<u>480,851</u>	<u>647,470</u>
	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial liabilities at amortised cost</b>				
Trade and bills payables.....	100,251	141,563	163,106	292,478
Dividend payable .....	—	—	—	68,710
Other payables and accruals.....	44,492	49,814	54,938	56,724
Interest-bearing bank borrowings.....	65,155	63,550	173,331	295,317
Amount due to a director.....	15,199	59,817	58,476	70,156
Amounts due to related companies .....	42,647	45,317	54,383	65,127
	<u>267,744</u>	<u>360,061</u>	<u>504,234</u>	<u>848,512</u>

## III. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2010, the Company granted share options to one additional grantee. On 14 October 2010, Liu Shuen Kong received 1,500,000 share options under the Pre-IPO Share Option Scheme in note 31 to the Financial Information. The exercise price of each share option is HK\$5.0. Options granted to him can only be exercised in the following manner:

Exercise period	Maximum percentage of options exercisable	Vesting period
Anytime during the 10 years after the first anniversary of the Offer Date .....	1/3 of the total number of options granted	Up to the date immediately before the first anniversary of the Offer Date
Anytime during the 9 years after the second anniversary of the Offer Date .....	1/3 of the total number of options granted	Up to the date immediately before the second anniversary of the Offer Date
Anytime during the 8 years after the third anniversary of the Offer Date .....	1/3 of the total number of options granted	Up to the date immediately before the third anniversary of the Offer Date

On 23 July 2010 and 24 August 2010, Leoch Power Supply made additional paid-up capital of US\$1,000,000 and US\$1,478,962 to Zhaoqing Leoch and Jiangsu Leoch, respectively.

On 26 October 2010, Anhui Leoch Power, a wholly owned subsidiary of the Company, was incorporated. The registered capital of Anhui Leoch Power is HK\$150,000,000. According to the Company Law of the PRC, 20% or more of the registered capital will be paid up within two months since incorporation. All registered capital should be injected within two years since incorporation.

#### **IV. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2010.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

*For illustrative purposes only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out herein to provide prospective investors with further information about (i) how the proposed listing might have affected the consolidated net tangible assets of the Group after completion of the Global Offering; and (ii) how the proposed listing might have affected the forecast earnings per Share of our Company for the year ending 31 December 2010 as if the Global Offering had taken place on 1 January 2010.*

*The accompanying unaudited pro forma financial information of our Company is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of our Company does not purport to predict our Company's future financial position.*

*Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of our Company's financial position following the completion of the Global Offering.*

**(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The following unaudited pro forma adjusted consolidated net tangible assets of our Company have been prepared based on the audited consolidated net tangible assets of our Company attributable to owners of the Company as at 30 June 2010 as extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and is adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets of our Company have been prepared for illustrative purposes only and, because of their nature, they may not give a true picture of the financial position of the Company.

The following unaudited pro forma adjusted consolidated net tangible assets of our Company have been prepared to show the effect on the consolidated net tangible assets of our Company as at 30 June 2010 as if the Global Offering had occurred on 30 June 2010.



## UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 30 June 2010 and based on our audited consolidated net tangible assets attributable to the owners of our Company as at 30 June 2010 as shown in the Accountants' Report set forth in Appendix I to this prospectus and is adjusted as follows:

	Audited consolidated net tangible assets attributable to owners of our Company as at 30 June 2010 <sup>(1)</sup>	Estimated net proceeds from the Global Offering <sup>(2)</sup>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company <sup>(3)</sup>	Unaudited pro forma adjusted consolidated net tangible assets per Share <sup>(4)</sup>	
	RMB in millions	RMB in millions	RMB in millions	RMB	HK\$ <sup>(5)</sup>
Based on Offer Price of HK\$3.75 per Offer Share .....	484.2	1,008.7	1,492.9	1.12	1.28
Based on Offer Price of HK\$5.35 per Offer Share .....	484.2	1,457.7	1,941.9	1.46	1.67

*Notes:*

- (1) The consolidated net tangible assets attributable to owners of the Company as of 30 June 2010, was determined as follows:

	RMB in millions
Audited consolidated net assets of our Company as set out in Appendix I .....	487.7
Less: Other intangible assets as set out in Appendix I .....	<u>3.5</u>
Consolidated net tangible assets attributable to owners of the Company .....	<u><u>484.2</u></u>

- (2) The estimated net proceeds from the Global Offering are based on the offer price of HK\$3.75 per share and HK\$5.35 per share after deduction of the underwriting fees and other related expenses payable by the Company, and do not take into account of any shares which may be issued upon the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme. The estimated net proceeds from the Global Offering are converted at the PBOC Rate from Hong Kong dollars into Renminbi at an exchange rate of RMB0.8724 to HK\$1.00 prevailing on 30 June 2010.
- (3) Details of the valuations of our Company's properties as at 31 August 2010 are set out in "Appendix IV – Property Valuation" in this prospectus. The revaluation surplus or deficit of properties, included in buildings held for own use, assets under construction, land use rights and investment properties, will not be incorporated in our Company's financial statements for the year ending 31 December 2010. If such revaluation surplus is incorporated in our Company's financial statements for the year ending 31 December 2010, the annual depreciation charges would increase by approximately RMB2.5 million.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 1,333,334,000 Shares (being the number of shares expected to be in issue immediately after completion of the Global Offering, without taking into account of any shares which may be issued upon the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme) are issued and outstanding during the six-month period ended 30 June 2010. If the options granted under the Pre-IPO Share Option Scheme are exercised in full, the unaudited pro forma adjusted consolidated net tangible assets per Share will increase.
- (5) The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8724 to HK\$1.00, the PBOC Rate prevailing on 30 June 2010. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

**(B) UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE FOR THE YEAR ENDING 31 DECEMBER 2010**

The following unaudited pro forma forecast earnings per Share for the year ending 31 December 2010 have been prepared in accordance with Rule 4.29 of the Listing Rules on the basis set out in the notes 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 nature, it may not give a true picture of the financial results of the Group following the Global Offering.

	<b>Forecast for the year ending 31 December 2010</b>
Forecast consolidated profit attributable to owners of our Company ( <i>Note 1</i> ).....	not less than RMB253.6 million (equivalent to approximately HK\$290.7 million)
Unaudited pro forma forecast earnings per Share ( <i>Note 2</i> ).....	not less than RMB19.0 cents (equivalent to approximately HK\$21.8 cents)

*Notes:*

- (1) The forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2010 is extracted from the profit forecast as set out in "Financial Information – Profit Forecast for the Year Ending 31 December 2010". The bases and assumptions on which the above profit forecast for the year ending 31 December 2010 has been prepared are summarized in "Appendix III – Profit Forecast" to this prospectus.
- (2) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2010 by 1,333,334,000 Shares assumed to be issued and outstanding during the entire year ending 31 December 2010, adjusted, as if the Global Offering had occurred on 1 January 2010, but without taking into account any share which may be issued upon the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma forecast earnings per Share for the year ending 31 December 2010 is converted at the PBOC Rate from Renminbi into Hong Kong dollars at an exchange rate of RMB0.8724 to HK\$1.00 prevailing on 30 June 2010.

**(C) COMFORT LETTER ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma financial information.



Ernst & Young  
18th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

安永會計師事務所  
香港中環金融街8號  
國際金融中心2期18樓

電話: +852 2846 9888  
傳真: +852 2868 4432

Tel: +852 2846 9888  
Fax: +852 2868 4432  
www.ey.com

3 November 2010

The Directors

Leoch International Technology Limited  
Citigroup Global Markets Asia Limited

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets and unaudited pro forma forecast earnings per share (the “Unaudited Pro Forma Financial Information”) of Leoch International Technology Limited (the “Company”) and its subsidiaries (collectively the “Group”), which has been prepared by the directors of the Company (the “Directors”) for illustrative purposes only, to provide information about how the global offering of the Company’s shares might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 3 November 2010 (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Parts A and B of Appendix II to the Prospectus.

**Respective Responsibilities of the Directors and Reporting Accountants**

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 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 (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) 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 Engagement 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma 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 on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) 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 purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2010 or any future dates; or
- the forecasted earnings per share of the Group for the year ending 31 December 2010 or any future periods.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors 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 4.29(1) of the Listing Rules.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

*The forecast of the consolidated profit attributable to owners of our Company for the year ending 31 December 2010 is set out in the section headed “Financial Information — Profit Forecast for the Year Ending 31 December 2010”.*

#### **A. BASES**

The Directors have prepared the forecast of consolidated profit attributable to owners of our Company for the year ending 31 December 2010 on the basis of the audited consolidated results of us for the six months ended 30 June 2010, the unaudited consolidated results of us for the two months ended 31 August 2010 and a forecast of the consolidated results of us for the remaining four months ending 31 December 2010. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by us as summarized in Appendix I to the prospectus.

#### **B. ASSUMPTIONS**

The forecast has been prepared based on the following principal assumptions:

- there will be no material changes in the existing government policies or political, legal, fiscal, market or economic conditions in the mainland of People’s Republic of China (the “PRC”) or Hong Kong or other countries where the Group operates, as well as other countries where the Group exports its products to;
- there will be no material changes in legislation or regulations or rules in the PRC or Hong Kong or other countries where the Group operates and other countries where the Group exports its products to which could adversely affect the business of the Group;
- there will be no material changes in the bases or rates of taxation in the PRC or Hong Kong or other countries where the Group operates, except as otherwise disclosed in this prospectus;
- there will be no material change in inflation rates, interest rates or the exchange rate of RMB against US\$ and RMB against HK\$ from those presently prevailing on 31 August 2010;
- the Group’s operations will not be adversely affected or interrupted by factors which are beyond the management’s control, including but not limited to natural disasters, fire, disease, labor disputes and shortage in supply of raw materials and electricity; and
- there will be no material fluctuations to raw material prices, including prices of lead.

**C. LETTER FROM THE REPORTING ACCOUNTANTS ON THE PROFIT FORECAST**

The following is the text of a letter, prepared for inclusion in this prospectus, received by the Directors from Ernst & Yong, Certified Public Accountants, Hong Kong, in connection with the forecast of the consolidated profit attributable to owners of the Company for the year ending December 31, 2010.



Ernst & Young  
18th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

Tel: +852 2846 9888  
Fax: +852 2868 4432  
www.ey.com

安永會計師事務所  
香港中環金融街8號  
國際金融中心2期18樓  
電話: +852 2846 9888  
傳真: +852 2868 4432

3 November 2010

The Directors  
Leoch International Technology Limited  
Citigroup Global Markets Asia Limited

Dear Sirs,

We have reviewed the calculations of and the accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of Leoch International Technology Limited (the “Company”, together with its subsidiaries, hereinafter collectively referred to as the “Group”) for the period ending 31 December 2010 (the “Profit Forecast”) as set out in the paragraph headed “Profit Forecast for the Year Ending 31 December 2010” under the section headed “Financial Information” in the prospectus of the Company dated 3 November 2010 (the “Prospectus”) for which the directors of the Company (the “Directors”) are solely responsible.

We conducted our work with reference to Auditing Guideline 3.341 “Accountants’ Report on Profit Forecasts” issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast has been prepared by the Directors based on the audited consolidated results of the Group for the six months ended 30 June 2010, the unaudited consolidated results of the Group for the two months ended 31 August 2010 and a forecast of the consolidated results of the Group for the remaining four months ending 31 December 2010.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions made by the Directors as set out in Parts A and B 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 dated 3 November 2010, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

**D. LETTER FROM SOLE SPONSOR**

The following is the text of a letter, prepared for inclusion in this prospectus, received by the Directors from Citigroup Global Markets Asia Limited, the Sole Sponsor, in connection with the forecast of the consolidated profit attributable to owners of the Company for the year ending December 31, 2010.

Citigroup Global Markets Asia Limited  
50/F Citibank Tower, Citibank Plaza  
3 Garden Road, Central  
Hong Kong

November 3, 2010

The Directors  
Leoch International Technology Limited

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to owners of Leoch International Technology Limited (the “Company”) for the year ending December 31, 2010 (the “Profit Forecast”) as set out in this prospectus of the Company dated November 3, 2010 (the “Prospectus”).

We understand that the Profit Forecast has been prepared by the Directors of the Company based on (i) the audited consolidated results of the Company and its subsidiaries (the “Group”) for the six-month period ended June 30, 2010; (ii) the unaudited consolidated results of the Group for the two-month period ended August 31, 2010; and (iii) the forecast of the consolidated results of the Group for the four-month period ending December 31, 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 November 3, 2010 addressed to the Company and ourselves from Ernst & Young, Certified Public Accountants, Hong Kong, regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, Certified Public Accountants, Hong Kong, we are of the opinion that the Profit Forecast, for which you as Directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,  
For and on behalf of  
**Citigroup Global Markets Asia Limited**  
**David Biller**  
*Managing Director*

*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 August 31, 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

November 3, 2010

The Board of Directors  
**Leoch International Technology Limited**  
5/F, Xin Bao Hui Building  
No. 2061 Nanhai Avenue  
Nanshan District  
Shenzhen City, Guangdong Province  
PRC

Dear Sirs,

In accordance with your instructions to value the properties in which Leoch International Technology Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") and overseas countries, 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 August 31, 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 interest of property no. 4 in Group I by direct comparison approach assuming sale of the property interest in its 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 nos. 1 to 3 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.

We have attributed no commercial value to the property interests in Groups II and III, which are leased 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 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published 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 Certificate, Building Ownership Certificates, Real Estate Title 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 – Zhong Lun 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. 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 at 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 and the United Kingdom, as well as relevant experience in the Asia-Pacific region and the United States of America.

## 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 August 31, 2010  RMB	Interest attributable to the Group	Capital value attributable to the Group as at August 31, 2010  RMB
1.	3 parcels of land, various buildings and structures No. 398 Shenhua Avenue Jinhu County Huai'an City Jiangsu Province The PRC	85,052,000	100%	85,052,000
2.	A parcel of land, various buildings and structures No. 27 Gongye Avenue Hi-tech Industry Development Zone Zhaoqing City Guangdong Province The PRC	121,834,000	100%	121,834,000
3.	5 parcels of land, various buildings and structures located at the south of Nvzhen Road Economic Development Zone Suixi County Huaibei City Anhui Province The PRC	61,285,000	100%	61,285,000
4.	A parcel of land located at Nancheng Industrial Park Daping Village Tangxia Town Dongguan City Guangdong Province The PRC	6,000,000	100%	6,000,000
	<b>Sub-total:</b>	<b>274,171,000</b>		<b>274,171,000</b>

**Group II – Property interests leased and occupied by the Group in the PRC**

No.	Property	Capital value in existing state as at August 31, 2010  RMB	Interest attributable to the Group	Capital value attributable as at August 31, 2010  RMB
5.	An industrial building and a staff quarter located at Tongfuyu Industrial Zone Kukeng Village Guannan Town Bao'an District Shenzhen City Guangdong Province The PRC	No commercial value	100%	No commercial value
6.	3 industrial buildings located at Tongfuyu Industrial Zone Kukeng Village Guannan Town Bao'an District Shenzhen City Guangdong Province The PRC	No commercial value	100%	No commercial value
7.	Units E8, E9, E148 and E149 of the main building of Xin Bao Hui Building No. 2061 Nanhai Avenue Nanshan District Shenzhen City Guangdong Province The PRC	No commercial value	100%	No commercial value
8.	Unit 1002 on Level 10 of West Block of Jingrun Mansion No. Jia 28 Fuwai Avenue Beijing The PRC	No commercial value	100%	No commercial value
9.	Portion of Unit 901 on Level 9 of Tianzheng International Plaza No. 399 Zhongyang Road Nanjing City Jiangsu Province The PRC	No commercial value	100%	No commercial value

## APPENDIX IV

## PROPERTY VALUATION

No.	Property	Capital value in existing state as at August 31, 2010	Interest attributable to the Group	Capital value attributable as at August 31, 2010
		RMB		RMB
10.	Unit 352 on Level 5 of Block 1 of West Mountain 3 <sup>rd</sup> Lane located at Chengxi District Xining City Qinghai Province The PRC	No commercial value	100%	No commercial value
11.	Unit 1403 on Level 14 of Entrance 1 of Block 3 of Section A of Lanyu located at Jinzhouwan Panlong District Kunming City Yunnan Province The PRC	No commercial value	100%	No commercial value
12.	An office unit on Level 2 of Block 3 No. 939 Haixu Road Pudong New District Shanghai The PRC	No commercial value	100%	No commercial value
	<b>Sub-total:</b>	<u>Nil</u>		<u>Nil</u>

## Group III – Property interests leased and occupied by the Group in the overseas countries

No.	Property	Capital value in existing state as at August 31, 2010 <b>RMB</b>	Interest attributable to the Group	Capital value attributable as at August 31, 2010 <b>RMB</b>
13.	An industrial building known as 19751 Descartes Foothill Ranch located at County of Orange State of California The United States of America	No commercial value	100%	No commercial value
14.	Unit 12C on Level 2 of Wheatstone Court located at Waterwells Business Park Quedgeley Gloucestershire The United Kingdom	No commercial value	100%	No commercial value
15.	An office unit on Level 19 of an office building located at 14 Kitchener Link # 19-29 Singapore	No commercial value	100%	No commercial value
	<b>Sub-total:</b>	<b>Nil</b>		<b>Nil</b>
	<b>Grand total:</b>	<b>274,171,000</b>		<b>274,171,000</b>

*Note:*

- Subsequent to the date of valuation, the Group entered into a Tenancy Agreement with a connected party to rent a property in the PRC for office purpose. Please refer to page IV-26.

## 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 August 31, 2010 RMB																								
1.	3 parcels of land, various buildings and structures No. 398 Shenhua Avenue Jinhu County Huai'an City Jiangsu Province The PRC	<p>The property comprises 3 parcels of land with a total site area of approximately 186,308 sq.m. and 31 buildings and various ancillary structures erected thereon which were completed in various stages between 2003 and 2009.</p> <p>The buildings have a total gross floor area of approximately 94,700.58 sq.m. and the details of uses and their respective gross floor areas are set out as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: center;">No. of Item</th> <th style="text-align: center;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Production</td> <td style="text-align: center;">9</td> <td style="text-align: right;">57,602.90</td> </tr> <tr> <td>Storage</td> <td style="text-align: center;">1</td> <td style="text-align: right;">7,273.99</td> </tr> <tr> <td>Office</td> <td style="text-align: center;">1</td> <td style="text-align: right;">2,807.90</td> </tr> <tr> <td>Staff quarters</td> <td style="text-align: center;">5</td> <td style="text-align: right;">19,430.36</td> </tr> <tr> <td>Canteen</td> <td style="text-align: center;">3</td> <td style="text-align: right;">4,477.94</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: center;">12</td> <td style="text-align: right;">3,107.49</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>31</b></td> <td style="text-align: right;"><b>94,700.58</b></td> </tr> </tbody> </table>	Use	No. of Item	Gross Floor Area (sq.m.)	Production	9	57,602.90	Storage	1	7,273.99	Office	1	2,807.90	Staff quarters	5	19,430.36	Canteen	3	4,477.94	Ancillary	12	3,107.49	<b>Total</b>	<b>31</b>	<b>94,700.58</b>	<p>The property is currently occupied by the Group for production, storage, office, staff quarter, canteen and ancillary purposes except for a building as referred to in note 6 which is leased to an independent third party.</p>	<p style="text-align: right;">85,052,000</p> <p style="text-align: right;">100% interest attributable to the Group: RMB85,052,000</p>
Use	No. of Item	Gross Floor Area (sq.m.)																										
Production	9	57,602.90																										
Storage	1	7,273.99																										
Office	1	2,807.90																										
Staff quarters	5	19,430.36																										
Canteen	3	4,477.94																										
Ancillary	12	3,107.49																										
<b>Total</b>	<b>31</b>	<b>94,700.58</b>																										
		<p>The structures mainly include road, sewage tanks, sedimentation basins, acid water pool, water wells, boundary fences and gates.</p> <p>The land use rights of the property have been granted for terms of 50 years expiring on May 22, 2053 and December 3, 2057 for industrial use.</p>																										

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*Notes:*

1. Pursuant to a State-owned Land Use Rights Grant Contract dated May 22, 2003 entered into between Jinhua County State-owned Land Resources Bureau and Leoch Technology (Jiangsu) Corp. (江蘇理士科技有限公司) (“Leoch Technology”), the land use rights of a parcel of land with a site area of approximately 133,334 sq.m. were contracted to be granted to Leoch Technology for industrial use. The total land premium was RMB13,333,400.
2. Pursuant to a State-owned Land Use Rights Grant Contract – Jin Tu Chu Gong 2007 Zi Di No. 003 dated December 3, 2007 entered into between Jinhua County State-owned Land Resources Bureau and Leoch Technology, the land use rights of a parcel of land with a site area of approximately 52,974 sq.m. were contracted to be granted to Leoch Technology for industrial use. The total land premium was RMB6,360,000.  
  
As advised by the Company, Leoch Technology (Jiangsu) Corp. is the former name of Leoch Battery (Jiangsu) Corp. (“Jiangsu Leoch”, a wholly-owned subsidiary of the Company).
3. Pursuant to 3 State-owned Land Use Rights Certificates – Jin Guo Yong (2009) Di Nos. 2609 (“Land 1”), 0010 (“Land 2”) and Jin Guo Yong (2006) Di No. 2132 (“Land 3”), the land use rights of 3 parcels of land with a total site area of approximately 186,308 sq.m. have been granted to Jiangsu Leoch for terms of 50 years expiring on May 22, 2053 and December 3, 2057 for industrial use.
4. Pursuant to 12 Building Ownership Certificates – Fang Quan Zheng Jin Fang Zi Di Nos. 1757 and 1854, Jin Fang Fang Quan Zheng Jin Hu Xian Zi Di Nos. 200919359 to 200919362 and Fang Quan Zheng Jin Fang Zi Di Nos. 200806610 to 200806615, 13 buildings with a total gross floor area of approximately 90,850.44 sq.m. are owned by Jiangsu Leoch.
5. For the remaining 18 buildings of the property with a total gross floor area of approximately 3,850.14 sq.m., we have not been provided with any Building Ownership Certificates.
6. According to a Tenancy Agreement dated August 31, 2008, one of the 18 buildings of the property as referred to in note 5 with a lettable area of approximately 30 sq.m. was rented to China Construction Bank Limited Huai’an Branch (“Bank A”) from Jiangsu Leoch, for a term of 5 years commencing from August 31, 2008 and expiring on August 31, 2013 at an annual rent of RMB12,000, exclusive of management fees, water and electricity charges.
7. Pursuant to 2 Mortgage Contracts of Maximum Amount – 2006 Nian Jin Hu Di Zi Nos. 08-01-01 and 08-01-02 both dated August 1, 2006, the land use rights of Land 3 with a site area of approximately 54,679.00 sq.m. and 3 buildings with a total gross floor area of approximately 39,269.58 sq.m. erected thereon under the Building Ownership Certificates – Fang Quan Zheng Jin Fang Zi Di Nos. 1757 and 1854 were subject to mortgages in favour of Bank of China Limited Jinhua Branch (“Bank B”), as security to guarantee the principal obligation under a series of contracts entered into between Bank B and Leoch Technology for a maximum amount of RMB40,000,000 with the security term from August 1, 2006 to August 1, 2012.
8. Pursuant to a Mortgage Contract of Maximum Amount – 2009 Nian Jin Hu Di Zi No. 01-13-01 dated January 13, 2009, the land use rights of portion of Land 2 with a site area of approximately 11,754 sq.m. and 2 buildings with a total gross floor area of approximately 11,096.52 sq.m. erected thereon under the Building Ownership Certificates – Fang Quan Zheng Jin Fang Zi Di Nos. 200806610 and 200806612 were subject to a mortgage in favour of Bank B, as security to guarantee the principal obligation under a series of contracts entered into between Bank B and Jiangsu Leoch for a maximum amount of RMB10,000,000 with the security term from January 13, 2009 to January 13, 2012.
9. Pursuant to a Mortgage Contract of Maximum Amount – No. 2009001 dated January 20, 2009, the land use rights of the remaining portion of Land 2 with a site area of approximately 41,220 sq.m. and 4 buildings with a total gross floor area of approximately 23,264.90 sq.m. erected thereon under the Building Ownership Certificates – Fang Quan Zheng Jin Fang Zi Di Nos. 200806611 and 200806613 to 200806615 were subject to a mortgage in favour of China Construction Bank Limited Jinhua Branch (“Bank C”), as security to guarantee the principal obligation under a series of contracts entered into between Bank C and Jiangsu Leoch for a maximum amount of RMB23,000,000 with the security term from January 20, 2009 to January 19, 2012.
10. Pursuant to a Mortgage Contract of Maximum Amount – No. 2009041 dated November 27, 2009, the land use rights of Land 1 with a site area of approximately 78,655 sq.m. and 4 buildings with a total gross floor area of approximately 17,219.44 sq.m. erected thereon under the Building Ownership Certificates – Jin Fang Fang Quan Zheng Jin Hu Xian Zi Di Nos. 200919359 to 200919362 were subject to a mortgage in favour of Bank C, as security to guarantee the principal obligation under a series of contracts entered into between Bank C and Jiangsu Leoch for a maximum amount of RMB23,000,000 with the security term from November 27, 2009 to November 27, 2012.
11. In the valuation of this property, we have attributed no commercial value to the 18 buildings (as referred to in note 5) with a total gross floor area of approximately 3,850.14 sq.m. which have not obtained any Building Ownership Certificates. However, for reference purpose, we are of the opinion that the aggregate depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB2,697,000 assuming the Building Ownership Certificates have been fully obtained and the buildings could be freely transferred.

12. 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 Group is legally, validly and wholly in possession of the land use rights of the property and the building ownership rights of the buildings as referred to in note 4 as the Group has obtained all the requisite approvals/permits/consent from the PRC Government and the relevant authorities and fulfilled the formality of the relevant registration;
  - b. The land parcels of the property and the buildings as referred to in note 4 erected thereon are free from any other mortgages, leases or other third party encumbrances except for being subject to the aforesaid Mortgage Contracts of Maximum Amount;
  - c. During the terms of the land use rights, the Group is entitled to lease, mortgage, transfer or by other legal means dispose of the land use rights of the property and the buildings as referred to in note 4 but is subject to the aforesaid Mortgage Contracts of Maximum Amount;
  - d. All the costs and the land premium in respect of the land use rights of the property and the building ownership rights of the building as referred to in note 4 have been properly settled in full, therefore, no more additional costs or land premium is required to be paid for obtaining the land use rights and building ownership rights;
  - e. The Group has not obtained the relevant construction permits of the buildings as referred to in note 5. The above-county level urban and rural planning authorities can demand for demolition of those buildings that are without obtaining relevant construction permits. For those buildings that cannot be demolished, the physical objects or illegal income derived will be confiscated, or the Group will be fined at an amount not exceeding 10 percent of the total construction cost of these buildings;
  - f. As agreed between Jiangsu Leoch and Bank A, if the Group is ordered to demolish such building as referred to in note 6 within a stipulated time limit, the Group does not need to bear the liability to Bank A for breaking of the tenancy agreement. As such building can be demolished, the penalty of confiscation of rent income is not applicable; and
  - g. According to 6 Building Ownership Certificates – Fang Quan Zheng Jin Fang Zi Di Nos. 200806610 to 200806615 as referred to in note 4, 6 buildings are constructed beyond the planned area at about 12.69 sq.m. Pursuant to a Confirmation Letter issued by Jinhua County Urban Planning Bureau, Jinhua County Building Administration Bureau, Jinhua County Urban Administration Bureau and Jinhua County Urban Administration Enforcement Bureau (金湖縣城市管理行政執法局), the Group will neither be subject to any penalty, confiscation, nor be ordered to demolish such buildings or be subject to any other punishment. Pursuant to another Confirmation Letter issued by Jinhua County State-owned Land Resources Bureau, as the Group had no illegal causes in the land aspect, the Group does not need to be subject to any punishment. The aforesaid 5 bureaus have the rights to issue such confirmations.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010  RMB																					
2.	A parcel of land, various buildings and structures No. 27 Gongye Avenue Hi-tech Industry Development Zone Zhaoqing City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 115,331.93 sq.m. and 19 buildings and various ancillary structures erected thereon which were completed in various stages between 2008 and 2009.</p> <p>The buildings have a total gross floor area of approximately 86,023.98 sq.m. and the details of uses and their respective gross floor areas are set out as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Use</th> <th style="text-align: center;">No. of Item</th> <th style="text-align: center;">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Production</td> <td style="text-align: center;">6</td> <td style="text-align: right;">57,600.00</td> </tr> <tr> <td>Storage</td> <td style="text-align: center;">1</td> <td style="text-align: right;">549.12</td> </tr> <tr> <td>Office</td> <td style="text-align: center;">1</td> <td style="text-align: right;">9,225.80</td> </tr> <tr> <td>Staff quarters with canteen</td> <td style="text-align: center;">3</td> <td style="text-align: right;">15,490.98</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: center;">8</td> <td style="text-align: right;">3,158.08</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>19</b></td> <td style="text-align: right;"><b>86,023.98</b></td> </tr> </tbody> </table>	Use	No. of Item	Gross Floor Area (sq.m.)	Production	6	57,600.00	Storage	1	549.12	Office	1	9,225.80	Staff quarters with canteen	3	15,490.98	Ancillary	8	3,158.08	<b>Total</b>	<b>19</b>	<b>86,023.98</b>	<p>The property is currently occupied by the Group for production, storage, office, staff quarter, canteen and ancillary purposes except for portion of the property (as referred to in notes 4 and 5) which are leased to two independent third parties.</p>	<p>121,834,000</p> <p>100% interest attributable to the Group: RMB121,834,000</p>
Use	No. of Item	Gross Floor Area (sq.m.)																							
Production	6	57,600.00																							
Storage	1	549.12																							
Office	1	9,225.80																							
Staff quarters with canteen	3	15,490.98																							
Ancillary	8	3,158.08																							
<b>Total</b>	<b>19</b>	<b>86,023.98</b>																							
		<p>The structures mainly include road, fire control pools, bicycle shed, steel platform, boundary fences and gates.</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on June 30, 2059 for industrial use.</p>																							

*Notes:*

- Pursuant to a State-owned Land Use Rights Certificate – Zhao Guo Yong (2009) Di No. W060, the land use rights of a parcel of land with a site area of approximately 115,331.93 sq.m. have been granted to Zhaoqing Leoch Battery Technology Co., Ltd. (“Zhaoqing Leoch”, a wholly-owned subsidiary of the Company) for a term of 50 years expiring on June 30, 2059 for industrial use.
- Pursuant to 8 Real Estate Title Certificates – Yue Fang Di Zheng Zi Di Nos. C6287397 to C6287400 and Yue Fang Di Quan Zheng Zhao Wang Si Zi Di Nos. 091294 to 091296 and 20101012, 10 buildings with a total gross floor area of approximately 82,316.78 sq.m. are owned by Zhaoqing Leoch.

3. For the remaining 9 buildings of the property with a total gross floor area of approximately 3,707.2 sq.m. we have not been provided with any Real Estate Title Certificates.
4. Pursuant to a Tenancy Agreement dated December 1, 2009, a portion of the land parcel of the property with a site area of approximately 40 sq.m. was leased to China Mobile (Group) Guangdong Limited Corp., Zhaoqing Branch (中國移動通信集團廣東有限公司肇慶分公司) (“China Mobile”, an independent third party of the Company) from Zhaoqing Leoch, for a term of 10 years commencing from December 1, 2009 and expiring on November 30, 2019 at an annual rent of RMB20,000, exclusive of management fees, water and electricity charges.
5. Pursuant to a Tenancy Agreement dated December 16, 2008, a unit on Level 6 of one staff quarters building with a gross floor area of approximately 26 sq.m. and a portion of the roof terrace of one staff-quarters building with a lettable area of approximately 15 sq.m. were leased to China Telecom (Group) Corp. Guangdong Network Asset Branch (中國電信集團公司廣東網路資產分公司) (“China Telecom”, an independent third party of the Company) from Zhaoqing Leoch, for a term of 5 years commencing from December 16, 2008 and expiring on December 15, 2013 at an annual rent of RMB11,400, exclusive of management fees, water and electricity charges.
6. Pursuant to a Mortgage Contract of Maximum Amount of Real Estate – MR751883100603 dated June 3, 2010, the land use rights of a parcel of land with a site area of approximately 115,331.93 sq.m. and 9 buildings with a total gross floor area of approximately 73,090.98 sq.m. erected thereon under the Real Estate Title Certificates – Yue Fang Di Quan Zheng Zhao Wang Si Zi Di Nos. 091294 to 091296, Yue Fang Di Zheng Zi Di Nos. C6287397 to C6287400 were subject to a mortgage in favour of Citibank (China) Co. Ltd. Shenzhen Branch (the “Bank”), as security to guarantee the principal obligation under a series of contracts entered into between the Bank and Zhaoqing Leoch for a maximum amount of RMB101,104,000 with the security term from the effective date of the aforesaid contract to the date of releasing the guarantee of debt.
7. In the valuation of this property, we have attributed no commercial value to the 9 buildings (as referred to in note 3) with a total gross floor area of approximately 3,707.2 sq.m. which have not obtained any Real Estate Title Certificates. However, for reference purpose, we are of the opinion that the aggregate depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB4,965,000 assuming the Real Estate Title Certificates have been fully obtained and the buildings could be freely transferred.
8. 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 Group is legally, validly and wholly in possession of the land use rights of the property and the building ownership rights of the buildings as referred to in note 2 in accordance with the relevant PRC laws and regulations, as the Group has obtained all the requisite approvals/permits/consent from the PRC Government and the relevant authorities and fulfilled the formality of the relevant registration;
  - b. The land parcel of the property and the buildings (as referred to in note 2) erected thereon are free from any other mortgages, leases or other third party encumbrances except for being subject to the aforesaid Mortgage Contract of Maximum Amount of Real Estate;
  - c. During the terms of the land use rights, the Group is entitled to lease, mortgage, transfer or by other legal means dispose of the land use rights of the property and the buildings as referred to in note 2 except for being subject to the aforesaid Mortgage Contract of Maximum Amount of Real Estate;
  - d. All the costs and the land premium in respect of the land use rights of the property and the building ownership rights of the buildings as referred to in note 2 have been properly settled in full, therefore, no more additional costs or land premium are required to be paid for obtaining the land use rights and building ownership rights; and
  - e. The Group has not obtained the relevant construction permits of the buildings as referred to in note 3. The above-county level urban and rural planning authorities can demand for demolition of those buildings that are without obtaining relevant construction permits. For those buildings that cannot be demolished, the physical objects or illegal income derived will be confiscated, or the Group will be fined at an amount not exceeding 10 percent of the total construction cost of these buildings.

## VALUATION CERTIFICATE

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<b>Capital value in existing state as at August 31, 2010</b> <b>RMB</b>																					
3.	5 parcels of land, various buildings and structures located at the south of Nvzhen Road Economic Development Zone Suixi County Huaibei City Anhui Province The PRC	<p>The property comprises 5 parcels of land with a total site area of approximately 157,499.10 sq.m. and 22 buildings and various ancillary structures erected thereon which were completed between 2007 and 2008.</p> <p>The buildings have a total gross floor area of approximately 44,380.45 sq.m. and the details of uses and their respective gross floor areas are set out as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><u>Use</u></th> <th style="text-align: center;"><u>No. of Item</u></th> <th style="text-align: center;"><u>Gross Floor Area (sq.m.)</u></th> </tr> </thead> <tbody> <tr> <td>Production</td> <td style="text-align: center;">7</td> <td style="text-align: right;">27,339.46</td> </tr> <tr> <td>Storage</td> <td style="text-align: center;">1</td> <td style="text-align: right;">1,027.48</td> </tr> <tr> <td>Office</td> <td style="text-align: center;">4</td> <td style="text-align: right;">3,546.86</td> </tr> <tr> <td>Staff quarters</td> <td style="text-align: center;">2</td> <td style="text-align: right;">6,728.95</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: center;">8</td> <td style="text-align: right;">5,737.70</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>22</b></td> <td style="text-align: right;"><b>44,380.45</b></td> </tr> </tbody> </table>	<u>Use</u>	<u>No. of Item</u>	<u>Gross Floor Area (sq.m.)</u>	Production	7	27,339.46	Storage	1	1,027.48	Office	4	3,546.86	Staff quarters	2	6,728.95	Ancillary	8	5,737.70	<b>Total</b>	<b>22</b>	<b>44,380.45</b>	<p>The property is currently occupied by the Group for production, storage, office, staff quarter, and ancillary purposes.</p>	<p style="text-align: right;">61,285,000</p> <p style="text-align: right;">100% interest attributable to the Group: RMB61,285,000</p>
<u>Use</u>	<u>No. of Item</u>	<u>Gross Floor Area (sq.m.)</u>																							
Production	7	27,339.46																							
Storage	1	1,027.48																							
Office	4	3,546.86																							
Staff quarters	2	6,728.95																							
Ancillary	8	5,737.70																							
<b>Total</b>	<b>22</b>	<b>44,380.45</b>																							
		<p>The structures mainly include road, sewage tank, drain, chimney, bicycle shed and boundary fences.</p> <p>The land use rights of the property have been granted for terms of 50 years expiring on December 30, 2056 and April 20, 2060 for industrial use.</p>																							

*Notes:*

- Pursuant to a State-owned Land Use Rights Grant Contract dated December 16, 2006 entered into between Suixi County State-owned Land Resources Bureau and Anhui Uplus Energy Products Co., Ltd. (安徽力普拉斯电源製品有限公司) ("Anhui Energy"), the land use rights of 4 parcels of land with a total site area of approximately 137,146.17 sq.m. were contracted to be granted to Anhui Energy for industrial use. The total land premium was RMB10,045,000.
- Pursuant to a State-owned Land Use Rights Grant Contract dated March 5, 2010 entered into between Suixi County State-owned Land Resources Bureau and Anhui Uplus Energy Technology Co., Ltd. (安徽力普拉斯电源技术有限公司) ("Anhui Uplus"), the land use rights of a parcel of land with a site area of approximately 20,352.90 sq.m. were contracted to be granted to Anhui Uplus for industrial use. The total land premium was RMB1,960,000.

3. Pursuant to 4 State-owned Land Use Rights Certificates – Sui Chu Guo Yong (2008) Di Nos. 093 to 096, the land use rights of 4 parcels of land with a total site area of approximately 137,146.20 sq.m. have been granted to Anhui Energy for a term of 50 years expiring on December 30, 2056 for industrial use.
4. Pursuant to a State-owned Land Use Rights Certificate – Sui Chu Guo Yong (2010) Di No. 123, the land use rights of a parcel of land with a site area of approximately 20,352.90 sq.m. have been granted to Anhui Leoch Battery Technology Corp. (“Anhui Leoch Battery”, a wholly-owned subsidiary of the Company) for a term of 50 years expiring on April 20, 2060 for industrial use.
5. Pursuant to 12 Real Estate Title Certificates – Fang Di Quan Sui Gong Fang Zi Di Nos. 02116 to 02127 dated June 5, 2008 issued by Suixi County Real Estate Administration Bureau (濉溪縣房地產管理局), 16 buildings with a total gross floor area of approximately 43,658.51 sq.m. are owned by Anhui Energy.
6. As advised by the Company, Anhui Uplus Energy Products Co., Ltd. and Anhui Uplus Energy Technology Co., Ltd. are both the former names of Anhui Leoch Battery Technology Corp.. The company name on the aforesaid State-owned Land Use Rights Certificates and Real Estate Title Certificates as referred to in notes 3 and 5 is in the process of being changed from Anhui Uplus Energy Products Co., Ltd. to Anhui Leoch Battery Technology Corp..
7. For the remaining 6 buildings of the property with a total gross floor area of approximately 721.94 sq.m., we have not been provided with any Real Estate Title Certificates.
8. In the valuation of this property, we have attributed no commercial value to the 6 buildings (as mentioned in note 7) with a total gross floor area of approximately 721.94 sq.m. which have not obtained any Real Estate Title Certificates. However, for reference purpose, we are of the opinion that the aggregate depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB86,000 assuming the Real Estate Title Certificates have been fully obtained and the buildings could be freely transferred.
9. 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 Group is legally, validly and wholly in possession of the land use rights of the property and the building ownership rights to the buildings as referred to in note 5 in accordance with the relevant PRC laws and regulations, as the Group has obtained all the requisite approvals/permits/consent from the PRC Government and the relevant authorities and fulfilled the formality of the relevant registration;
  - b. The land parcels of the property and the buildings (as referred to in note 5) erected thereon are free from any other mortgages, leases or other third party encumbrances;
  - c. During the terms of the land use rights, the Group is entitled to lease, mortgage, transfer or by other legal means dispose of the land use rights of the property and the buildings referred to in note 5;
  - d. All the costs and the land premium in respect of the land use rights of the property and the building ownership rights of the buildings as referred to in note 5 have been properly settled in full, therefore, no more additional costs or land premium are required to be paid for obtaining the land use rights and building ownership rights; and
  - e. The Group has not obtained the relevant construction permits of the buildings as referred to in note 7. The above-county level urban and rural planning authorities can demand for demolition of those buildings that are without obtaining relevant construction permits. For those buildings that cannot be demolished, the physical objects or illegal income derived will be confiscated, or the Group will be fined at an amount not exceeding 10 percent of the total construction cost of these buildings.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010 RMB
4.	A parcel of land located at Nancheng Industrial Park Daping Village Tangxia Town Dongguan City Guangdong Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 12,050.1 sq.m.</p> <p>Various buildings with a total gross floor area of approximately 10,000 sq.m. are erected on the property forming portion of an industrial plant which are constructed by a connected party of the Group and licensed to Dongguan Leoch as the sole user at nil consideration. These buildings are not held by the Group and therefore are not included in the valuation of this property.</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on August 31, 2054 for industrial use.</p>	The property together with the buildings erected thereon are currently occupied by the Group for production and ancillary purposes.	6,000,000  100% interest attributable to the Group: RMB6,000,000

*Notes:*

1. Pursuant to a State-owned Land Use Rights Certificate – Dong Fu Guo Yong (2004) Di No. Te 905, the land use rights of a parcel of land with a site area of approximately 12,050.1 sq.m. have been granted to Dongguan Leoch Battery Technology Co. Ltd (“Dongguan Leoch”, a wholly-owned subsidiary of the Company) for a term of 50 years expiring on August 31, 2054 for industrial use.
2. Pursuant to a Transfer Agreement dated June 30, 2010, the buildings with a total gross floor area of approximately 10,000 sq.m. are contracted to be transferred to Dongguan Leoch Power Supply Co., Ltd. (“Dongguan Leoch Power Supply”, a connected party) whilst Dongguan Leoch will pay the transfer price to Dongguan Leoch Power Supply in accordance with the value determined by an independent property valuer appointed by both parties within 10 working days after Dongguan Leoch obtaining the relevant Building Ownership Certificates from Dongguan Building Administrative Bureau. During the period between June 30, 2010 and the date of obtaining the relevant Building Ownership Certificates, Dongguan Leoch Power Supply allows Dongguan Leoch to be the sole user of the buildings on the land parcel at nil consideration. If the relevant government authorities confirm that the buildings are illegal buildings and order to demolish them within stipulated time limit, then Dongguan Leoch Power Supply undertakes to compensate Dongguan Leoch for all the costs and expenses for the demolition of the buildings and relocation of the manufacturing plant to a new premises and all losses arising from such demolition and relocation.
3. 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 Group is legally, validly and wholly in possession of the land use rights of the property in accordance with the relevant PRC laws and regulations, as the Group has obtained all requisite approvals/permits/consent from the PRC Government and the relevant authorities and fulfilled the formality of the relevant registration;
  - b. The property is free from any other mortgages, leases or other third party encumbrances;
  - c. All the costs and the land premium in respect of the property have been properly settled in full, therefore, no more additional costs or land premium are required to be paid for obtaining the land use rights; and
  - d. During the terms of the land use rights, the Group is entitled to lease, mortgage, transfer or by other legal means dispose of the land use rights.

## VALUATION CERTIFICATE

## Group II – Property interests leased and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010 RMB
5.	An industrial building and a staff quarter located at Tongfuyu Industrial Zone Kukeng Village Guannan Town Bao'an District Shenzhen City Guangdong Province The PRC	<p>The property comprises a 3-storey industrial building and a 6-storey staff quarter which were completed in about 1994.</p> <p>The property has a total lettable area of approximately 8,842 sq.m.</p> <p>The property is leased to Shenzhen Leoch Battery Technology Co., Ltd. ("Shenzhen Leoch", a wholly-owned subsidiary of the Company) from an independent third party, for a term of 3 years commencing from April 15, 2010 and expiring on April 14, 2013 at a monthly rent of RMB88,420 for the first year and RMB97,262 for the second and third year, exclusive of management fees, public security and sanitary charges.</p>	The property is currently occupied by the Group for production and staff quarter purposes.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated March 30, 2010, the property was leased to Shenzhen Leoch from Shenzhen Kukeng Central Cooperative Joint Stock Company (深圳市庫坑中心股份合作公司) (the "Lessor", an independent third party), for a term of 3 years commencing from April 15, 2010 and expiring on April 14, 2013 at a monthly rent of RMB88,420 for the first year and RMB97,262 for the second and third year, exclusive of management fees, public security and sanitary 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 Lessor is in the process of obtaining the Collective Land Use Rights Certificate and Building Ownership Certificates. Once the Lessor has obtained the relevant certificates, the Lessor has the rights to lease the property whilst the Group has the rights to use the property in accordance with the Tenancy Agreement. There would be a risk that the Group cannot continue to use the property if the Lessor cannot obtain the relevant Collective Land Use Rights Certificate and Building Ownership Certificates; and
  - b. According to the Confirmation Letter dated June 9, 2010 provided by Mr. Dong Li (董李), if Shenzhen Leoch cannot continue to use this property due to the aforesaid reason as referred to in note 2(a), Mr. Dong Li promises to be responsible for the resultant relocation expenses and will compensate Shenzhen Leoch for all the relevant losses arising therefrom.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010 RMB
6.	3 industrial buildings located at Tongfuyu Industrial Zone Kukeng Village Guannan Town Bao'an District Shenzhen City Guangdong Province The PRC	<p>The property comprises 3 two to three storey industrial buildings which were completed in about 1985.</p> <p>The property has a total lettable area of approximately 760 sq.m.</p> <p>The property is leased to Shenzhen Leoch Battery Technology Co., Ltd. ("Shenzhen Leoch", a wholly-owned subsidiary of the Company) from an independent third party for a term of 2 years commencing from July 1, 2008 and expiring on June 30, 2010 at a monthly rent of RMB4,600, exclusive of water, electricity charges and other outgoings. Upon expiry of the tenancy, it has been renewed for a further term of half a year at the same monthly rent.</p>	The property is currently occupied by the Group for production and storage purposes.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated June 30, 2008, the property was leased to Shenzhen Leoch from Highway Bureau Labour Union Working Committee of Bao'an District of Shenzhen City (深圳市寶安區公路局工會工作委員會) (the "Lessor", an independent third party), for a term of 2 years commencing from July 1, 2008 and expiring on June 30, 2010 at a monthly rent of RMB4,600, exclusive of water, electricity charges and other outgoings. Upon expiry of the tenancy, it has been renewed for a further term of half a year at the same monthly rent.
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 legal validity of the aforesaid Tenancy Agreement and whether the Lessor has the rights to lease the aforesaid property cannot be ascertained because of absence of registration of the Real Estate Title Certificate;
  - b. There would be a risk that the Group cannot continue to use the property if the property does not comply with the leasing conditions or the Lessor is not the legal owner of the property and does not has the rights to let the property;
  - c. According to the Confirmation Letter dated June 9, 2010 provided by Mr. Dong Li (董李), if Shenzhen Leoch cannot continue to use this property due to the aforesaid reason as referred to in note 2(a), Mr. Dong Li promises to be responsible for the resultant relocation expenses and will compensate Shenzhen Leoch for all the relevant losses arising therefrom.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010 RMB
7.	Units E8, E9, E148 and E149 of the main building of Xin Bao Hui Building No. 2061 Nanhai Avenue Nanshan District Shenzhen City Guangdong Province The PRC	<p>The property comprises 4 commercial units on Level 5 of a 29-storey office building which was completed in about 2001.</p> <p>The property has a total gross floor area of approximately 42.72 sq.m.</p> <p>The property is leased to Leoch Battery Shenzhen Corp. ("Shenzhen Leoch Battery", a wholly-owned subsidiary of the Company) from a connected party for a term of 1 year commencing from September 1, 2009 and expiring on August 31, 2010 at a monthly rent of RMB2,136, exclusive of management fees, water and electricity charges. Upon expiry of the tenancy, it has been renewed for a further term of 2 years at the same monthly rent.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated September 18, 2009, the property was leased to Shenzhen Leoch Battery from Shenzhen Marshall Power Supply Co., Ltd (the "Lessor", a connected party), for a term of 1 year commencing from September 1, 2009 and expiring on August 31, 2010 at a monthly rent of RMB2,136, exclusive of management fees, water and electricity charges.
 

The Company has renewed the Tenancy Agreement and extended the leasing period for a term of 2 years commencing from September 1, 2010 and expiring on August 31, 2012 at a monthly rent of RMB2,136, 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 Lessor is the legal owner of the property and possesses the ownership rights and has the rights to let the property;
  - b. The Tenancy Agreements in respect of the property are legal, valid and binding on both parties. The Group has the rights to use the property in accordance with the Tenancy Agreements; and
  - c. According to the PRC laws, the Tenancy Agreements are not binding on the transferee of the mortgaged property once the mortgaged property is rented out by the mortgagor and the mortgage rights are exercised. According to the mortgage situation noted on the Real Estate Title Certificates of the Lessor, in case that the mortgage has not been revoked and the mortgage rights are exercised during the lease term, the aforesaid Tenancy Agreements are not binding to the transferee of the mortgaged property.



## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010 RMB
8.	Unit 1002 on Level 10 of West Block of Jingrun Mansion No. Jia 28 Fuwai Avenue Beijing The PRC	<p>The property comprises an office unit on Level 10 of a 19-storey office and commercial building known as Jingrun Mansion which was completed in about 1997.</p> <p>The property has a lettable area of approximately 140 sq.m.</p> <p>The property is leased to Beijing Leoch Engineering Technology Co., Ltd. (“Beijing Leoch”, a wholly-owned subsidiary of the Company) from an independent third party for a term of 2 years commencing from June 1, 2010 and expiring on May 31, 2012 at a daily unit rent of RMB3.5 per sq.m. (nil rent and management fee during the rent-free period between June 1, 2010 and August 31, 2010), inclusive of management fees which include water, base electricity and summer air-conditioning charges, but is exclusive of other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated May 2010, the property was leased to Beijing Leoch from Beijing Runda Real Estate Development Co., Ltd (北京潤達房地產開發有限公司) (the “Lessor”, an independent third party), for a term of 2 years commencing from June 1, 2010 and expiring on May 31, 2012 at a daily unit rent of RMB3.5 per sq.m. (nil rent and management fee during the rent-free period between June 1, 2010 and August 31, 2010), inclusive of management fees which include water, base electricity and summer air-conditioning charges, but is exclusive of other outgoings.
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 Lessor is the legal owner of the property and possesses the ownership rights and has the rights to let the property;
  - b. The Tenancy Agreement in respect of the property is legal and valid, which is binding on both parties. The Group has the rights to use the property in accordance with the Tenancy Agreement; and
  - c. Despite the absence of lease registration, there is no influence to the validity of the Tenancy Agreement in accordance with the relevant law stipulations.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010 RMB
9.	Portion of Unit 901 on Level 9 of Tianzheng International Plaza No. 399 Zhongyang Road Nanjing City Jiangsu Province The PRC	<p>The property comprises a unit on Level 9 of a 19-storey office building known as Tianzheng International Square which was completed in about 2008.</p> <p>The property has a lettable area of approximately 128 sq.m.</p> <p>The property is leased to Nanjing Leoch Battery Technology Co., Ltd. (“Nanjing Leoch”, a wholly-owned subsidiary of the Company) from a connected person, for a term of 5 years commencing from January 1, 2010 and expiring on December 31, 2015 at an annual rent of RMB72,000, exclusive management fees, water and electricity charges and other outgoings. According to a Supplemental Agreement dated October 5, 2010, the Company had shortened the aforesaid tenancy term to 3 years commencing from January 1, 2010 and expiring on December 31, 2012 at the same monthly rent.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated January 1, 2010, the property was leased to Nanjing Leoch from Mr. Dong Li (董李) (the “Lessor”), a connected person, for a term of 5 years commencing from January 1, 2010 and expiring on December 31, 2015 at an annual rent of RMB72,000, exclusive management fees, water and electricity charges and other outgoings. According to a Supplemental Agreement dated October 5, 2010, the Company had shortened the aforesaid tenancy term to 3 years commencing from January 1, 2010 and expiring on December 31, 2012 at the same monthly rent.
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 Lessor is the legal owner of the property and possesses the ownership rights and has the rights to let the property; and
  - b. The Tenancy Agreement and Supplemental Agreement in respect of the property are legal and valid, which are binding on both parties. The Group has the rights to use the property in accordance with the Tenancy Agreement.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010 RMB
10.	Unit 352 on Level 5 of Block 1 of West Mountain 3rd Lane located at Chengxi District Xining City Qinghai Province The PRC	<p>The property comprises a residential unit on Level 5 of a 7-storey residential building which was completed in about 1994.</p> <p>The property has a lettable area of approximately 126 sq.m.</p> <p>The property is leased to Xining Leoch Engineering Technology Co., Ltd. ("Xining Leoch", a wholly-owned subsidiary of the Company) from an independent third party, for a term of 1 year commencing from September 18, 2009 and expiring on September 17, 2010 at a monthly rent of RMB1,100, exclusive management fees, water and electricity, heating charges and other outgoings. Upon expiry of the tenancy, it has been renewed for a further term of 1 year at the same monthly rent.</p>	The property is currently occupied by the Group for residential purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated January 1, 2010, the property was leased to Xining Leoch from an independent third party (the "Lessor"), for a term of 1 year commencing from September 18, 2009 and expiring on September 17, 2010 at a monthly rent of RMB1,100, exclusive management fees, water and electricity, heating charges and other outgoings.  
  
The Company has renewed the Tenancy Agreement and extended the leasing period for a term of 1 year commencing from September 18, 2010 and expiring on September 17, 2011 at a monthly rent of RMB1,100, exclusive of management fee, 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 legal validity of the aforesaid Tenancy Agreements and whether the Lessor has the rights to lease the aforesaid property cannot be ascertained because of absence of registration of the Real Estate Title Certificate; and
  - b. There would be a risk that the Group cannot continue to use the property if the property does not comply with the leasing conditions or the Lessor is not the legal owner of the property and does not has the rights to let the property. Despite the absence of lease registration, there is no influence to the validity of the Tenancy Agreements in accordance with the relevant law stipulations.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010  RMB
11.	Unit 1403 on Level 14 of Entrance 1 of Block 3 of Section A of Lanyu located at Jinzhouwan Panlong District Kunming City Yunnan Province The PRC	<p>The property comprises a residential unit on Level 14 of a 18-storey residential building which was completed in about 2004.</p> <p>The property has a lettable area of approximately 91 sq.m.</p> <p>The property is leased to Kunming Leoch Engineering Technology Co., Ltd. ("Kunming Leoch", a wholly-owned subsidiary of the Company) from an independent third party, for a term of 1 year commencing from July 1, 2010 and expiring on June 30, 2011 at a monthly rent of RMB1,800, exclusive management fees, water and electricity charges and other outgoings.</p>	The property is currently occupied by the Group for residential purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement, the property is leased to Kunming Leoch from an independent third party (the "Lessor"), for a term of 1 year commencing from July 1, 2010 and expiring on June 30, 2011 at a monthly rent of RMB1,800, exclusive management fees, water and electricity charges and other outgoings.
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 legal validity of the aforesaid Tenancy Agreement and whether the Lessor has the rights to lease the aforesaid property cannot be ascertained because of absence of registration of the Real Estate Title Certificate; and
  - b. There would be a risk that the Group cannot continue to use the property if the property does not comply with the leasing conditions or the Lessor is not the legal owner of the property and does not has the rights to let the property. Despite the absence of lease registration, there is no influence to the validity of the Tenancy Agreement in accordance with the relevant law stipulations.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010 RMB
12.	An office unit on Level 2 of Block 3 No. 939 Haixu Road Pudong New District Shanghai The PRC	<p>The property comprises an office unit on Level 2 of a 2-storey industrial building which was completed in about 1986.</p> <p>The property has a lettable area of approximately 20 sq.m.</p> <p>The property is leased to Shenzhen Leoch Battery Technology Co., Ltd., Shanghai Branch, ("the Lessee", a branch of Shenzhen Leoch Battery Technology Co., Ltd. which is a wholly-owned subsidiary of the Company) from an independent third party, for a term of 5 years commencing from June 1, 2010 and expiring on May 30, 2015 at an annual rent of RMB3,600, exclusive of management fees and other outgoings.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Notes:*

1. Pursuant to a Tenancy Agreement dated June 1, 2010, the property was leased to the Lessee from Shanghai Gaodong Investment Operation Administrative Center (上海高東投資經營管理中心) (the "Lessor"), an independent third party, for a term of 5 years commencing from June 1, 2010 and expiring on May 30, 2015 at an annual rent of RMB3,600, exclusive of management fees and other outgoings.
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 Lessor is the legal owner of the property and possesses the ownership rights and has the rights to let the property;
  - b. The Tenancy Agreement in respect of the property is legal and valid, which is binding on both parties. The Group has the rights to use the property in accordance with the Tenancy Agreement; and
  - c. Despite the absence of lease registration, there is no influence to the validity of the Tenancy Agreement in accordance with the relevant law stipulations.

## VALUATION CERTIFICATE

## Group III – Property interests leased and occupied by the Group in the overseas countries

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010  RMB
13.	An industrial building known as 19751 Descartes Foothill Ranch located at County of Orange State of California The United States of America	<p>The property comprises a 3-storey industrial building which was completed in about 1997.</p> <p>The property has a lettable area of approximately 30,000 sq.ft. (equivalent to approximately 2,787.07 sq.m.).</p> <p>The property is leased to Leoch Battery Corporation (“Leoch Battery Corp”, a wholly-owned subsidiary of the Company) from a connected party, for a term of 20 years commencing from June 1, 2006 and expiring on May 31, 2026 at a monthly rent of US\$35,000, exclusive of security deposit, association fees and other outgoings. However, pursuant to a lease addendum in relation to rent adjustment, the monthly rent was decreased to US\$30,000 commencing from August 1, 2008. According to a Supplemental Agreement dated October 5, 2010, the Company had shortened the aforesaid tenancy term to 3 years commencing from January 1, 2010 and expiring on December 31, 2012 at the same monthly rent.</p>	The property is currently occupied by the Group for office and warehouse purposes.	No commercial value

*Note:*

- Pursuant to a Tenancy Agreement dated May 1, 2006, the property was leased to Leoch Battery Corp from Eastern International LLC. (the “Lessor”), a connected party, for a term of 20 years commencing from June 1, 2006 and expiring on May 31, 2026 at a monthly rent of US\$35,000, exclusive of security deposit, association fees and other outgoings. However, pursuant to a lease addendum in relation to rent adjustment, the monthly rent was decreased to US\$30,000 commencing from August 1, 2008. According to a Supplemental Agreement dated October 5, 2010, the Company had shortened the aforesaid tenancy term to 3 years commencing from January 1, 2010 and expiring on December 31, 2012 at the same monthly rent.

## VALUATION CERTIFICATE

<b>No.</b>	<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	<b>Capital value in existing state as at August 31, 2010 RMB</b>
14.	Unit 12C on Level 2 of Wheatstone Court located at Waterwells Business Park Quedgeley Gloucestershire The United Kingdom	<p>The property comprises a unit on Level 2 of a 2-storey office building which was completed in about 1985.</p> <p>The property has a lettable area of approximately 328 sq.ft. (equivalent to approximately 30 sq.m.).</p> <p>The property is leased to Leoch Europe Limited ("Leoch Europe", a wholly-owned subsidiary of the Company) from an independent third party for a term of 3 years commencing from January 25, 2010 and expiring on January 24, 2013 at an annual rent of GB£2,542 for the first year and GB£3,772 for the second year and GB£4,100 for the third year.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Note:*

1. Pursuant to a Tenancy Agreement dated January 25, 2010, the property was leased to Leoch Europe from Northern Way Business Quarter Properties Limited (the "Lessor"), an independent third party, for a term of 3 years commencing from January 25, 2010 and expiring on January 24, 2013 at an annual rent of GB£2,542 for the first year and GB£3,772 for the second year and GB£4,100 for the third year.

## VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2010 RMB
15.	An office unit on Level 19 of an office building located at 14 Kitchener Link # 19-29 Singapore	<p>The property comprises a unit on Level 19 of a 25-storey office building which was completed in about 2008.</p> <p>The property has a lettable area of approximately 113 sq.m.</p> <p>The property is leased to Leoch Battery Pte. Ltd. (“Leoch Battery Pte”, a wholly-owned subsidiary of the Company) from a connected person for a term of 3 years commencing from March 10, 2010 and expiring on March 10, 2013 at a monthly rent of SG\$3,250.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

*Note:*

- Pursuant to a Tenancy Agreement dated March 1, 2010, the property was leased to Leoch Battery Pte from Mr. Dong Li (董季), a connected person, for a term of 3 years commencing from March 10, 2010 and expiring on March 10, 2013 at a monthly rent of SG\$3,250.



## VALUATION CERTIFICATE

## Property interest leased and occupied by the Group in the PRC after the date of valuation

Property	Description and tenure	Particulars of occupancy
Units E1 to E4, E6, E7, E14 to E63, E72 to E112, E116 to E135 and E138 to E145 of the main building of Xin Bao Hui Building No. 2061 Nanhai Avenue Nanshan District Shenzhen City Guangdong Province The PRC	<p>The property comprises various commercial units on Level 5 of a 29-storey office building which was completed in about 2001.</p> <p>The property has a total gross floor area of approximately 1,107.88 sq.m.</p> <p>The property is leased to Shenzhen Leoch Battery Technology Co., Ltd. (“Shenzhen Leoch”, a wholly-owned subsidiary of the Company) from a connected party for a term of 2 years commencing from September 1, 2010 and expiring on August 31, 2012 at a monthly rent of RMB55,394, exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.

*Note:*

1. Pursuant to a Tenancy Agreement dated September 1, 2010, the property was leased to Shenzhen Leoch from Shenzhen Marshall Power Supply Co., Ltd (the “Lessor”, a connected party), for a term of 2 years commencing from September 1, 2010 and expiring on August 31, 2012 at a monthly rent of RMB55,394, exclusive of management fees, water and electricity charges.



November 3, 2010

The Directors

**Leoch International Technology Limited**

5/F, Xin Bao Hui Building

No. 2061, Nanhai Avenue, Nanshan District

Shenzhen, Guangdong Province, the People's Republic of China

Dear Sirs:

MWH Environmental Engineering (Shanghai) Co., Ltd. ("MWH" or "we") was engaged by Leoch International Technology Limited (the "Company") to perform an environmental assessment (the "Environmental Assessment") at its five existing sites (the "Sites"). The Sites are involved in the various stages of the manufacturing of lead-acid batteries and other products and are located in Shenzhen, Dongguan and Zhaoqing Cities in Guangdong Province, Jintu County in Jiangsu Province, and Suixi County in Anhui Province, People's Republic of China (the "PRC").

The purpose of the Environmental Assessment was to:

- (1) assess and document the environmental regulatory status of the Sites with respect to the local PRC regulations;
- (2) compare local environmental standards to relevant international environmental standards; and
- (3) assess whether corrective actions would be required if international environmental standards were to be applied at the Sites.

## **SCOPE OF WORK**

The Environmental Assessment at each of the Sites consisted of:

- Review of available environmental documents to obtain information on environmental regulatory frameworks, discharge standards, permit requirements and other related information.
- Interviews with site personnel, including Environmental, Health and Safety (EHS) manager and operations manager to obtain information on the environmental settings, pollution discharge, abatement measures, environmental permitting issues and other related information.
- Visual inspections of the Sites to verify information provided by the Company and assess other potential environmental issues.

## **LIMITATIONS**

This report was intended to provide a preliminary assessment of the current environmental conditions at the Sites. This report is based on the data and information collected during the Environmental Assessment conducted by MWH. The assessment is based solely on the site conditions encountered at the time of the site investigations from March 30 through April 8, 2010. No assurance is made regarding changes in conditions subsequent to the time of investigation. In preparing this report, MWH has relied solely on documentation provided by the Company. No independent testing was conducted.

In evaluating the Sites, MWH has relied in good faith on information provided by individuals noted in this report. MWH assumes that the information provided is factual and accurate. MWH accepts no responsibility for any deficiency, misstatements or inaccuracies contained in this report as a result of omissions, misinterpretations or fraudulent acts of the persons interviewed or contacted.

### SUMMARY OF COMPARISON

Following the review of available documents and site inspections, no major non-compliance issues were identified with respect to the PRC regulations and the Sites generally display adequate pollution prevention facilities to treat air emissions and wastewater discharge. A number of issues were identified for each of the Sites with respect to applicable PRC laws and regulations. These issues include (a) inadequate filings and approvals, (b) inadequate testing and evaluation of air emission and sanitary waste water discharge, and (c) inadequate waste management with respect to engaging qualified waste disposal services. As confirmed by the Company, these issues arose because (i) PRC regulations and administrative measures with regard to environmental protection were in the process of development, and (ii) local implementations of relevant regulations varied from place to place. It is sometimes very difficult for PRC enterprises such as the Company and relevant administrative authorities to understand fully all the administrative procedures required. As of the date of this report, all these issues have been rectified. For details, please see “Business—Environment, Health and Safety—Environmental protection measures” in this prospectus.

PRC standards with regards to the air emissions, wastewater discharges and waste management of lead substances were then compared to a number of international standards including the U.S., Japan and several European countries.

Although standards differ greatly in terms of mass loading, concentrations, etc, the comparison indicates that PRC standards are generally more stringent than other available international standards for air emissions. For waste management, PRC standards are similar to the other available international standards. For wastewater discharge, PRC standards are not as stringent as other selected international standards; however, PRC standards apply to discharge to municipal wastewater collection systems for further treatment rather than to direct discharge to the environment. A review of the monitoring data for the Sites indicates that the current wastewater discharges meet some other countries discharge standards such as the ones for France and Germany. Standards for Japan and the UK apply to direct discharge to surface water bodies, which is not the case for the Sites.

As a result, it was concluded that no additional corrective actions would be required for the Sites with respect to the status of their environmental discharges to the environment in light of the relevant applicable international environmental standards.

We enclose here with a summary report of our assessment. This summary report fully and accurately reflects all material information presented in the full version of the report.

Yours sincerely,  
For and on behalf of  
**MWH Environmental Engineering (Shanghai) Co., Ltd.**

**Jeffrey Yuan**  
*Manager – EHS Consulting Services*

**SUMMARY OF THE ENVIRONMENTAL ASSESSMENT REPORT****1. Introduction****1.1 Purposes**

MWH Environmental Engineering (Shanghai) Co., Ltd. (“MWH”) was engaged by Leoch International Technology Limited (the “Company”) to perform an environmental assessment (the “Environmental Assessment”) for its five existing manufacturing sites (the “Sites”), which are located in Shenzhen, Dongguan and Zhaoqing Cities in Guangdong Province, Jinhua County in Jiangsu Province, and Suixi County in Anhui Province, People’s Republic of China (“PRC”). The site visits were conducted by Jeffrey Yuan and Ben Li of MWH from March 30 through April 8, 2010. The Sites are involved in manufacturing of lead-acid batteries.

The Company is in the process of applying for listing in The Stock Exchange of Hong Kong Limited and thus requires that an independent consultant carry out an environmental assessment, whereby the current PRC discharge standards that apply to the facilities will be compared to a selection of relevant international environmental standards.

The purpose of the Environmental Assessment was to:

- (1) assess and document the environmental regulatory status of the Sites with respect to the local PRC regulations,
- (2) compare local environmental standards to relevant international environmental standards, and
- (3) assess whether corrective actions would be required if international environmental standards were to be applied at the Sites.

**1.2 Scope of Work**

The Environmental Assessment at each of the Sites consisted of a series of interviews with relevant parties, a review of readily available documents, and a site inspection. The assessment included:

- Review of available environmental documents to obtain information on environmental regulatory frameworks, discharge standard, permit requirements and other related information.
- Interviews with site personnel, including Environmental, Health and Safety (EHS) manager and operations manager to obtain information on the environmental settings, pollutants discharge, abatement measures, environmental permitting issues and other related information.
- Visual inspections of the five sites to verify information provided by the Company and assess other potential environmental issues.

**1.3 Project Implementation Methodology***Interview*

The following persons were interviewed during the site visits:

**Shenzhen Leoch Battery Technology Co., Ltd.**

Ms. Liu Haiying (劉海英)	Deputy Manager
Mr. Zhang Qing (章慶)	Office Director
Mr. Cai Shuilin (蔡水林) and Mr. Wang Jinbo (王金波)	Engineering Department Staff

**Dongguan Leoch Battery Technology Co., Ltd.**

Mr. Liu Feiping (劉飛平)	General Manager
Mr. Liang Houcheng (梁厚成)	Equipment Department Staff
Mr. He Wei (何瑋)	Production Planning Department Staff
Mr. Yin Jiangguang (尹建光)	Quality Assurance (QA) Department Staff

**Zhaoqing Leoch Battery Technology Co., Ltd.**

Mr. Li Yunyong (李雲勇)	Deputy Manager
Mr. Chen Peng (陳朋)	Staff Responsible for Environmental Issue

**Leoch Battery (Jiangsu) Corp.**

Mr. Li Mingjun (李明鈞)	General Manager
Mr. Jiang Rongcai (姜榮才)	Staff Responsible for Environmental Issue

**Anhui Leoch Battery Technology Corp.**

Mr. Jiang Yanqi (蔣延奇)	General Manager
Mr. Li Jianguang (李建光)	Deputy Technical Manager
Mr. Zhang Mingshuang (張明雙)	Quality Assurance (QA) Department Staff
Mr. Huang Zhengjun (黃正君)	Staff Responsible for ISO 9000/ISO 14000/OHSAS 18000 System

*Document Review*

The first stage of the project implementation incorporated a review of relevant documentation held by each of the Sites. Some environmental documents relating to each of the Sites where available, were provided, including the following items:

- Brochure of the Company;
- Site Location Map of the Sites;
- Current Site Layout of the Sites;
- Land Use Certificate for the Sites;
- Pipeline Layout;
- Production Flow Chart;
- Geological Investigation Report;
- Environmental Management System Certificate;
- Environmental Impact Assessment Report (“EIA”);
- “Three Synchronies” Monitoring Report and Approval Forms;
- Annual Pollution Discharge Registration Form for air, wastewater, noise and solid waste;
- Pollution Discharge Permits for air, wastewater, noise and solid waste;
- Environmental Monitoring Documents (including wastewater, air, emission and noise);
- Solid Waste List and Disposal Documents (Contracts, vendor license, and five-sheet form);
- Records of Environmental Incidents and Emergency Actions taken regarding spills, leaks and air emissions.

*Site Inspection*

The site inspection was based on qualitative observations and addressed items of potential environmental concern, including:

- environmental permitting;
- air emissions;
- wastewater discharge;
- waste segregation and storage; and
- chemical management and storage.

**1.4 MWH Project Team**

MWH possesses all of the requisite skills needed to provide high-energy leadership, proven expertise and substantial resources to complete a project such as the Environmental Assessment.

MWH is a global leader in providing knowledge-driven services. With more than US\$1 billion in revenue, its 6,500 specialists in more than 36 countries provide premiere solutions to municipalities, government agencies, multinational companies, industrial concerns and military organizations worldwide.

Since 1996, MWH has been very active in the PRC, assisting multinational clients who are investing in new or existing manufacturing facilities across the country. MWH staff have worked on hundreds of manufacturing plants and sites in the PRC completing environmental health and safety due diligence, environmental health and safety compliance audits, environmental impact assessment, remediation design and cost estimates, and providing evaluation and design services for wastewater, air treatment systems, hazardous materials storage facilities and ISO-14000 training and support services.

MWH has assisted numerous industrial clients in the PRC with regard to environmental and health and safety issues. The MWH project team involved with this environmental assessment was selected for its extensive experience in reviewing similar manufacturing sites across the PRC. The individuals that reviewed the operations of the Company were:

**Mr. Jeffrey Yuan, Project Team Manager, EHS Consulting.** With a BSc and MSc in Environmental Engineering from Tsinghua University, Mr. Yuan offers over six years of experience in the field of environmental, health and safety consulting. He is involved in environmental due diligence, EHS compliance audit, site characterization and remediation of contaminated soil/groundwater. As an environmental consultant, he has conducted numerous projects involving EHS due diligence, EHS compliance audit, environmental site assessment, soil and groundwater investigation, and remediation of contaminated land. He is also responsible for the internal EHS laws and regulations database construction and EHS newsletter within MWH, and is therefore very familiar with the EHS laws and regulations in the PRC.

**Mr. Ben Li, Junior Consultant, EHS Consulting.** Mr. Li holds a BSc in Environmental of Engineering from Shanghai Jiaotong University. Mr. Li is an Environmental Consultant with two years' experience in environmental due diligence, soil and groundwater investigation. He has conducted several EHS due diligence for multinational clients in the PRC.

**2. Chinese Regulatory Framework****2.1 Major Environmental Regulations**

In the PRC, the national legislature is responsible for formulating and enacting relevant laws, and ensuring that they are implemented and enforced by national, provincial, municipal and local government administrations. Environmental regulations are formulated by the Ministry of Environmental Protection of the PRC ("MEP") and enacted into law by the Standing Committee of the National People's Congress. Regional and local governments are also empowered to enact environmental regulations and standards, which may be stricter than national requirements or may contain parameters not covered by national regulations and standards.

Special industrial sector environmental standards are set by industrial ministries, in conjunction with MEP and the General Administration of Quality Supervision, Inspection and Quarantine (AQISQ). These standards are often stricter than national standards. In the past few years, more politically prominent industrial ministries have issued new environmental regulations. As a result of the rapid development of the environmental legal framework, there is often a degree of overlap between industry specific and other national and sub-national environmental legislation and regulations.

## 2.2 Integrated Site Permits

Environmental management in the PRC is based upon the following major principles of management. These principles have been advanced to facilitate the integration of environmental protection into decision-making mechanisms and form the basis of PRC regulatory framework. Implementation of these principles has been facilitated within the Environmental Impact Assessment Report (“EIA Report”) or Environmental Impact Form (“EIF”) and is encoded in the Environmental Protection Law. The environmental enforcement in the PRC is continuously strengthening.

1. **Environmental Impact Assessment System** – a compulsory part of the permit process for any new projects, or those undergoing major expansion or changes. Suggestions for pollution mitigation are a requirement of EIA Report or EIF. Request to conduct an EIA Report or an EIF is based on the project characteristics. Level of environmental protection authority to approve EIA Report (or EIF) is based on the industrial sector and total investment.
2. **Three Synchronies Policy** – controls pollution emissions by requiring new construction projects to include pollution control facilities. Include the following two procedures: (1) Project Design Approval – The environmental protection part of project design should be reviewed by the Environmental Protection Bureau (“EPB”) to ensure adequate pollution control facilities are included to meet EIA Report; and (2) Three Synchronies Inspection Approval – Inspection and approval of the pollution control facilities by the EPB is required after construction and before operation commences. Generally, the Three Synchronies Inspection is undertaken within three months after the trial operation commences.
3. **Pollution Discharge Registration** – Based on national and local environmental regulations, new facilities that discharge pollutants shall report to and register with the local EPB based on the stipulations of the types, quantities and concentrations of pollutants, manner of discharge and destination of the pollutants as well as the types of pollution prevention and control facilities, and submit technical documents on pollution prevention and control system within one month of construction completion. If for any reason, the registration cannot be completed by this time, the facility must report to the local EPB and provide an explanation and schedule for submission.
4. **Pollution Discharge Permits** – facility-specific permits that set discharge limits for specified parameters involving air emission, wastewater discharge, solid waste and noise generation.
5. **Mass Loading Controls** – Outlines the proposed national ceiling for emissions of 12 hazardous pollutants. They are implemented at the national and local levels. Mass loading controls are seen as developmental increments towards establishing environmental capacity standards for pollution-receiving bodies throughout the PRC. Capacity standards are defined as the maximum sustainable load that can be absorbed by surface waters, the atmosphere, or land, without further quality deterioration. Mass loading control is implemented through the Discharge Permit Policy. Mass loading allocation is the first stage in implementing the pollution discharge permits. EPBs will issue permits after a facility is in compliance with both discharge concentration limits and the mass loading allocations.
6. **Pollution Discharge Fees and Fines** – According to the local EPB, the pollution discharge fee is currently regulated based on national pollution discharge fee regulation. The fee rate is

determined based on pollutant concentration and the level of concentration in excess of the required standards. Wastewater discharges, which are in compliance with the required standards, are charged at the normal sewerage fee.

Pollution fines are currently levied for major non-compliance related to air emissions, wastewater discharges and noise generation in the PRC. The criteria for the fine follows the protocol established in the local Pollutants Discharge Fine Standards. The local authorities calculate fines according to the monitoring data provided by the local environmental monitoring station.

### 2.3 Air Emissions

The *PRC Air Pollution Prevention and Control Law (2000)* is PRC main air protection legislation. The key features of this framework regulation include: provisions for the promulgation of national standards, with stricter local standards allowed; requirements for environmental impact assessments for large construction projects; and policies for preventing and controlling dust, exhaust and odor from boilers and chimneys. Ambient air quality standards are contained within the national *Air Quality Standard (GB3095-1996)*.

The *Comprehensive Air Emission Standard (GB16297-1996)* was promulgated on April 12, 1996 and was enforced from January 1, 1997. Under the 1996 Standard, standards for both fugitive and process emissions, based on stack height, are set for 33 priority air pollutants. Stack height interval categories are not the same for each pollutant group and standards are given as maximum emission rates (mass/time) and concentrations (mass/volume). Generally, industrial facilities should meet Class II standards of GB16297-1996.

### 2.4 Wastewater

The *Integrated Wastewater Discharge Standard (GB 8978-1996)* applies to all enterprises and units discharging wastewater and has been implemented since January 1, 1998. Permissible discharge is determined according to the classification of the receiving water bodies, as defined under GB3838-2002, and the classification of pollutants to be discharged as defined under this standard.

Generally, an industrial facility that generates wastewater and discharges it to a municipal collection system linked to a wastewater treatment plant should meet Class III of *Integrated Wastewater Discharge Standard (GB 8978-1996)* as applicable at the sites. However, the maximum allowable concentration standards of the *Integrated Wastewater Discharge Standards (GB 8978-1996)* are applicable for those Type I pollutants, such as lead.

Storm water should be collected through a distinct collection system from the wastewater. If available, the site storm water should be discharged to the public storm water collection system.

### 2.5 Waste Management

The *Solid Waste Pollution Prevention Law* was revised on December 29, 2004 and became effective on April 1, 2005. This Law is enacted for the purpose of preventing and controlling environmental pollution by solid waste, safeguarding human health and promoting the development of socialist modernization drive. According to this law, all hazardous waste must be disposed of in accordance with the regulations and any enterprise that produces hazardous waste must report and register it with the local EPB. Organizations, which collect, store or dispose of hazardous waste are required to be licensed under the *Solid Waste Pollution Prevention Law*.

The *Solid Waste Pollution Prevention Law* defines that hazardous waste refer to “wastes listed in the national directory of hazardous wastes or wastes identified as having hazardous nature by identification standards or methods stipulated by the state”. The directory of hazardous wastes was



prepared by MEP and became effective on July 1, 1998. Standard for *Pollution Control on Hazardous Waste Storage (GB18597-2001)*, which sets forth requirements for hazardous waste storage, transportation, treatment, and disposal, is a newly applied standard on hazardous waste management.

In the PRC, battery waste should be stored and disposed as per the requirements of *Battery Waste Pollution Prevention Policy* implemented from October 9, 2003. Under this policy, the collection, transportation, removal, and recycle of lead acid battery were required to comply with related requirements.

## 2.6 Chemical Storage

Storage and handling of chemicals and hazardous substances is primarily regulated by the *Safety Management Regulation for Dangerous Chemicals (2002)*, which was effective on March 15, 2002. It requires that warehouse or storage rooms containing hazardous chemicals have adequate ventilation, fire equipment and fire fighting equipment, explosion protection, pressure release, storm protection, temperature control, static electricity protection and protection bund (secondary containment). Requirements for the preparation of material safety data sheets (“MSDS”) are detailed in the *General Rules to Drafting Safety Data Sheet for Dangerous Chemicals (GB16483-1996)*, which generally includes detailed information about the chemicals’ identities, characteristics, dangers, toxicity and health hazards, first aid, personal protection measures, packaging and transporting, accidental release and emergency response and disposal. In addition, there are some regulations regarding chemical storage safety, which are enforced by the Safety Work Bureau and Labor Bureau, and fire protection, which are enforced by the Fire Control Bureau.

Based on the relevant regulations, typically the following environmental management procedures for chemicals are required:

1. Special warehouse required for hazardous chemicals, which must be approved by the department of public security;
2. Secondary containment installed for the storage areas of hazardous chemicals;
3. Proper labelling and packaging of hazardous chemicals meeting the requirements;
4. Appropriate safety measures or emergency action plan required for hazardous chemicals;
5. Dedicated technician responsible for management of hazardous chemical warehouse;
6. No hazardous chemicals stored in any open, humid and watery storage facilities;
7. Different properties of hazardous chemicals stored separately;
8. Regular inspections of the storage facilities regarding the release of hazardous chemicals;
9. Complete chemical inventory and file relevant MSDS.

## 3. Comparison with World Standard

Generally, the manufacture of lead-acid batteries releases lead mostly through its air emissions, its wastewater discharges and solid waste sent off-site for disposal. While significant improvements have been made by the industry in recent decades, there tends to be some variations between standards across the world. This section intends to compare current practice and enforceable standards in the PRC to selected international standards applicable to this industry.

In most countries, manufacturing facilities are licensed to allow emissions up to levels set by the regulatory authority. Regulations regarding monitoring and reporting of pollutant discharges are set. Some emissions are continuously monitored, including concentrations of metals in wastewater and in stack emissions. The three following chapters summarize applicable regulations in a selected number of countries and compare relevant standards in a table for air emissions, wastewater discharges and waste management.

It should be noted that the World Health Organization (“WHO”), who is the United Nations specialized agency for health, has only developed guidelines for ambient air and drinking water quality. The WHO has not issued specific guidelines for air emissions from manufacturing sites or for industrial wastewater discharges. Similarly, the World Bank, who is a source of financial and technical support for developing countries around the world, has not issued such standards.

### 3.1 Air emission

#### *The PRC*

Based on the properties of air emissions generated by battery manufacturing operations, the national *Comprehensive Air Emission Standard (GB16297-1996)* stipulates that concentrations of lead in air emissions should meet the limits summarized as follows:

#### Lead Emission Limits in the PRC

	Maximum permissible emission concentration (mg/m <sup>3</sup> ) <sup>(4)</sup>	Stack Height (m)	Maximum permissible rate (kg/h)			Fugitive emission concentration (mg/m <sup>3</sup> ) <sup>(5)</sup>
			Class I <sup>(1)</sup>	Class II	Class III	
Lead & its compound Emission Limits for Existing sources <sup>(2)</sup> . . . .	0.9	15	Emission prohibited	0.005	0.007	0.0075
		20		0.007	0.011	
		30		0.031	0.048	
		40		0.055	0.083	
		50		0.085	0.13	
		60		0.12	0.18	
		70		0.17	0.26	
		80		0.23	0.35	
		90		0.31	0.47	
		100	0.39	0.6		
Lead & its compound Emission Limits for New sources <sup>(3)</sup> . . . . .	0.7	15	Emission prohibited	0.004	0.006	0.006
		20		0.006	0.009	
		30		0.027	0.041	
		40		0.047	0.071	
		50		0.072	0.11	
		60		0.1	0.15	
		70		0.15	0.22	
		80		0.2	0.3	
		90		0.26	0.4	
		100	0.33	0.51		

#### Notes:

- (1) The rate shall be implemented according to the categories of the quality areas and locations of the pollution sources of *Ambient Air Quality Standards (GB 3095-1996)*.

Pollution sources located in Category I areas must comply with Class I standards;

Pollution sources located in Category II areas must comply with Class II standards;

Pollution sources located in Category III areas must comply with Class III standards.

According to *Ambient Air Quality Standards (GB 3095-1996)*, air quality standard define three classes for the areas as follows:

Category I: Nature preservation area, Scenic and Historic Interest area, and other special preservation area;

Category II: Residential area, Commercial and residential area, general industrial area, and rural area;

Category III: Special industrial area

- (2) Existing sources: All pollution sources built before January 1, 1997.
- (3) New sources: All pollution sources built (newly built, expanded, or rebuilt) after January 1, 1997. All the Sites were built after January 1, 1997, and should comply with limit for new sources.
- (4) Maximum permissible emission concentration refers to the hourly average concentrations that should not be exceeded while the waste gases are in the emission stacks, whether or not the stacks are equipped with treatment facilities.
- (5) Fugitive emission concentration limit refer to average concentration limits at control points for any one hour.

#### *The U.S.*

*The Clean Air Act*, which was last amended in 1990, requires the Environmental Protection Agency in the USA to set National Ambient Air Quality Standards (“NAAQS”) for wide-spread pollutants from numerous and diverse sources considered harmful to public health and the environment. The Clean Air Act established two types of national air quality standards. Primary standards set limits to protect public health, including the health of “sensitive” populations such as asthmatics, children, and the elderly. Secondary standards set limits to protect public welfare, including protection against visibility impairment, damage to animals, crops, vegetation, and buildings. The Clean Air Act requires periodic review of the science upon which the standards are based and the standards themselves. EPA has set NAAQS for six principal pollutants, which are called “criteria” pollutants. The primary standard value and secondary standard value for lead is  $1.5 \mu\text{g}/\text{m}^3$  measured as a quarterly average. This value is a general standard for lead. However, in the case of specific industries, such as lead-acid battery manufacturing and secondary lead smelter operations, NAAQS is superseded by specific National Emission Standards for Hazardous Air Pollutants (“NESHAP”) for Source Categories as described in the next paragraph.

In this case, NESHAP is defined in **Title 40 of Code of Federal Regulations (“CFR”): Environmental Protection PART 63 – National Emission Standards For Hazardous Air Pollutants For Source Categories Subpart X – National Emission Standards for Hazardous Air Pollutants from Secondary Lead Smelting**. The provisions of this subpart apply to the following affected sources at all secondary lead smelters: blast, reverberatory, rotary, and electric smelting furnaces; refining kettles; agglomerating furnaces; dryers; process fugitive sources; and fugitive dust sources. The provisions of this subpart do not apply to primary lead smelters, lead refiners, or lead remelters. The threshold values stipulated that for lead emissions from both fugitive dust sources and process sources that: “No owner or operator of a secondary lead smelter shall discharge or cause to be discharged into the atmosphere from any building or enclosure ventilation system any gases that contain lead compounds in excess of **2.0 milligrams of lead per dry standard cubic meter.**” For operations similar to the ones conducted by the Company, this is the standard that would prevail.

#### *Japan*

The government enacted the *Air Pollution Control Law* in 1968, under which emission controls are enforced for factories and automobiles emitting any of the following: sulfur oxides, nitrogen oxides, carbon monoxide, suspended particulate matter (“SPM”), photochemical oxidants, and other substances that pollute the atmosphere. Air emission standard for lead is **10 milligrams per standard cubic meter** ( $\text{mg}/\text{m}^3$ ).

#### *Europe*

The European Union defines the obligations with which highly polluting industrial and agricultural activities must comply. It establishes a procedure for authorizing these activities and sets minimum requirements to be included in all permits, particularly in terms of pollutants released. The aim is to prevent or reduce pollution of the atmosphere, water and soil, as well as the quantities of waste

arising from industrial and agricultural installations to ensure a high level of environmental protection. This was enacted through the Integrated Pollution Prevention and Control (“IPPC”) Directive (Council Directive 96/61/EC of 24/09/96).

Facilities involved with manufacturing of lead-acid batteries are required to have a permit according to the IPPC Directive. In order to receive the permit, the facility must comply with certain basic obligations. In particular, it must:

- use all appropriate pollution-prevention measures, namely the best available techniques (which produce the least waste, use less hazardous substances, enable the recovery and recycling of substances generated, etc.);
- prevent all large-scale pollution;
- prevent, recycle or dispose of waste in the least polluting way possible;
- use energy efficiently;
- ensure accident prevention and damage limitation;
- return sites to their original state when the activity is over.

In addition, the decision to issue a permit must contain a number of specific requirements, which are defined by the Member States according to relevant national legislation, in particular including:

- emission limit values for polluting substances (with the exception of greenhouse gases if the emissions trading scheme applies);
- any soil, water and air protection measures required;
- waste management measures;
- measures to be taken in exceptional circumstances (leaks, malfunctions, temporary or permanent stoppages, etc.);
- minimizing of long-distance or trans-boundary pollution;
- release monitoring; and
- all other appropriate monitoring.

Applicable standards in France, Germany, the Netherlands and the United Kingdom have been included in *Table 1* below for comparison purposes.

**TABLE 1**  
**STANDARDS FOR LEAD IN AIR EMISSIONS**

<u>Country</u>	<u>Maximum Lead Level (mg/m<sup>3</sup>)</u>	<u>Date Operative</u>	<u>Title of Legislation</u>	<u>Current Status</u>	<u>Controlling Authority</u>
PRC.....	0.9 for existing sources 0.7 for new sources (facilities built after January 1, 1997)		Comprehensive Air Emission Standard (GB16297-1996)	Legal	Environmental Protection Bureau
EUROPEAN UNION.....	None quoted				
FRANCE (Battery Manufacturing Plants)....	1	1993	Decree no.1-3-1993	Legal	Regional Authorities
GERMANY.....	5	1986	Technical Instructions Air	Legal	State Governments
JAPAN Calcination and drying furnace etc. for lead, and secondary lead smelting furnace.....	10	1968	Air Pollution Control Law	Legal	Ministry of Environment
NETHERLANDS.....	Variable	1970	Air Pollution Act	Proposal	Ministry of Environmental Protection
UNITED KINGDOM.....	10	1985	EC Directive on Lead In Air 82/994/EEC	Legal	Department for Environment, Food and Rural Affairs
UNITED STATES.....	2.0	1995	National Emission Standards for Hazardous Pollutants from Secondary Lead Smelting, 40 CFR Parts 9 and 63	Legal	State Governments through EPA

*Source:* International Lead and Zinc Study Group – Environmental and Health Controls on Lead – 2007

*Table 2* below summarizes lead concentrations measured in air emissions from the Sites.

**TABLE 2**  
**MEASURED LEAD CONCENTRATIONS IN AIR EMISSIONS**

Site Name	Measured Lead Concentrations in Air Emissions (mg/m <sup>3</sup> )
Shenzhen Leoch Battery Technology Co., Ltd. ....	ND to 0.05
Dongguan Leoch Battery Technology Co., Ltd. ....	0.014 to 0.04
Zhaoqing Leoch Battery Technology Co., Ltd. ....	0.065 to 0.69
Leoch Battery (Jiangsu) Corp.....	0.16
Anhui Leoch Battery Technology Corp.....	0.094 to 0.17

*Note:* ND Indicates – Not Detected

A review of the available monitoring data for the Sites showed that they all comply with the international standards selected for air emissions of lead.

### 3.2 Wastewater Discharge

#### *The PRC*

According to national *Integrated Wastewater Discharge Standard (GB 8978-1996)*, the permissible limit for lead is **1.0 mg/L** for discharge to a municipal wastewater collection system or directly into the environment (i.e. surface water body).

#### *The United States*

Title 40 of *Code of Federal Regulations (“CFR”)*: Environmental Protection PART 461– Battery Manufacturing Point Source Category

This subpart applies to discharges to waters of the United States and introduction of pollutants into publicly owned treatment works from the manufacturing of lead anode batteries.

Generally, in the U.S., the requirement is that Best Available Technology be applied to treat the wastewater discharges, and the amount of lead permitted in wastewater is measured by reference to the amount of lead used in production. Thus, there is no specific quantitative standard for wastewater discharge.

#### *Japan*

Under its Water Pollution Prevention Laws, national standards for unified hazardous substances discharge standards and unified living circumstance items discharge standards were implemented in industrial factories in Japan. The permissible wastewater discharge limit for lead and its compounds is **0.1 mg/L**. However, for some industries which could not reach the national standards based on current pretreatment technologies, temporal discharge standards are implemented. According to the temporal standards, for the manufactories involved in Lead dioxide, the permissible lead limit is 0.2 mg/L.

*Europe*

As described in the previous chapter, the European Union requires that facilities discharging wastewater must comply with specific requirements, which are defined by the Member States according to relevant national legislation. Applicable requirements for lead for wastewater discharges in France, Germany, Netherlands and United Kingdom have been included in *Table 3* below for reference.

**TABLE 3**  
**STANDARDS FOR LEAD IN INDUSTRIAL WASTEWATER DISCHARGES**

<u>Country</u>	<u>Maximum Lead Level (mg/L)</u>	<u>Date Operative</u>	<u>Title of Legislation</u>	<u>Current Status</u>	<u>Controlling Authority</u>
PRC.....	1.0	1996	Integrated Wastewater Discharge Standard (GB 8978-1996)	Legal	Environmental Protection Bureau
EUROPEAN UNION.....	None quoted				
FRANCE.....	0.5	1993	Ministerial Decree of March 1, 1993	Legal	Regional Authorities
GERMANY.....	0.5	1989	Federal Water Act	Legal	State Governments
JAPAN.....	0.1	1993	Water Pollution Prevention Law	Legal	Ministry of Environment
NETHERLANDS.....	Variable (according to type of plant, its location and nature of receiving water)	1970	Pollution of Surface Water Act	Legal	National, Provincial and Local Water Authorities
UNITED KINGDOM.....	Variable (typically 0.004-0.25 mg/L for discharge to fresh surface waters)	1989	Water Resources Act, 1991 Water Industry Act, 1991	Legal	National Rivers Authority
UNITED STATES.....	Variable (based on Best Available Technology-BAT)	1984	Clean Water Act 1977 (as amended)	Legal	Environmental Protection Agency

*Source:* International Lead and Zinc Study Group – Environmental and Health Controls on Lead – 2007

*Table 4* summarizes lead concentrations measured in the wastewater samples collected at the outlet of each wastewater treatment plant for each of the Sites. After wastewater is discharged from a site to the municipal wastewater collection system, the site no longer bears any responsibility for further treatment, as it falls under the responsibility of the municipality. Generally, wastewaters collected through a municipal wastewater collection system are treated through a municipal wastewater treatment plant and then discharged to the environment.

**TABLE 4**  
**MEASURED LEAD CONCENTRATIONS IN WASTEWATER DISCHARGES**

Site Name	Measured Lead Concentrations at Outlet of WWTP (mg/L)
Shenzhen Leoch Battery Technology Co., Ltd. ....	NA
Dongguan Leoch Battery Technology Co., Ltd. ....	NA
Zhaoqing Leoch Battery Technology Co., Ltd. ....	- *
Leoch Battery (Jiangsu) Corp. ....	0.11 to 0.56
Anhui Leoch Battery Technology Corp. ....	<0.068 to 0.080

*Note:* “\*” indicates no monitoring report; and NA indicates not applicable

Review of the wastewater discharge monitoring results of the Sites indicates that:

- There was no lead containing wastewater generated from Shenzhen Leoch Battery Technology Co., Ltd. and Dongguan Leoch Battery Technology Co., Ltd., therefore no industrial wastewater will be discharged to the environment
- Lead containing wastewater generated from the Zhaoqing Leoch Battery Technology Co., Ltd. and Anhui Leoch Battery Technology Corp. are recycled by the Sites, therefore no industrial wastewater will be discharged to the environment; and monitoring results show that lead containing wastewater generated from Anhui Leoch Battery Technology Corp. meets the Integrated Wastewater Discharge Standards. No monitoring report for Zhaoqing Leoch Battery Technology Co., Ltd. was available for review; however, all treated industrial wastewater will be recycled at the Sites, therefore, there will be no discharge to the environment.
- The lead concentration in wastewater samples collected from the outlet of the onsite wastewater treatment facility (“WWTF”) of Jiangsu Leoch Battery Technology Co., Ltd. ranges from 0.11 mg/L to 0.56 mg/L, which were lower than the standards for lead in industrial wastewater discharges for the PRC standards of 1.0 mg/L, above the Japanese standards of 0.1 mg/L and occasionally above the standards of France and Germany of 0.5 mg/L.

### 3.3 Waste Management

According to the PRC Solid Waste Prevention Law, all hazardous waste must be disposed of in accordance with the regulations and any enterprise that produces hazardous waste must report and register it with the local EPB. Organizations, which collect, store or dispose of hazardous waste are required to be licensed under the Solid Waste Law. Wastes containing lead are classified as Hazardous Waste in the PRC and must be disposed of accordingly.

Wastes containing lead are also classified as hazardous waste in the U.S., Japan, the U.K., France and Germany and must be disposed of through licensed waste disposal vendors. Thus, the standards for solid waste management in the PRC are similar to the relevant standards in the U.S., Japan, the U.K., France and Germany. Currently, the Sites comply with the PRC Solid Waste Prevention Law.

### 3.4 Chemical Management

Storage and handling of chemicals and hazardous substances would be primarily regulated by the Safety Management Regulation for Dangerous Chemicals (2002), which was effective on March 15, 2002. It requires that warehouse or storage rooms containing hazardous chemicals have adequate ventilation and fire-fighting equipment, explosive protection, pressure release, storm protection, temperature control, static electricity protection and protection bund (secondary containment).



Requirements for the preparation of MSDS are detailed in the General Rules to Drafting Safety Data Sheet for Dangerous Chemicals (GB 16483-1996). In addition, there are some regulations regarding chemical storage safety which are enforced by the Safety Work Bureau and Labor Bureau, and fire protection, which are enforced by the Fire Fighting Bureau.

Chemical management at the Sites can normally meet with the PRC regulatory requirements.

### 3.5 Soil and Groundwater Conditions

Based on the site visit, interviews with Site-related personnel, and a review of available site documents, MWH identified no RECs or HRECs (as defined below), as defined below, at the Sites during the course of the Environmental Assessment.

- A REC means the presence or likely presence of any hazardous substances or petroleum products on a property under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on the property or into the ground, ground water, or surface water of the property. The term includes hazardous substances or petroleum products even under conditions in compliance with laws. The term is not intended to include *de minimis* conditions that generally do not present a threat to human health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate governmental agencies. Conditions determined to be *de minimis* are not RECs.
- A HREC means an environmental condition which in the past would have been considered a REC, but which may or may not be considered a REC currently.

Although no soil and groundwater cleanup law/criteria available in the PRC, the recent promulgated regulations specifically emphasize the investigation of soil and groundwater quality when industrial facilities cease their activities, relocate their site and change their operations.

### 3.6 Summary of Comparison

Based on the above review, lead air emissions and wastewater discharges have been restricted in most developed countries like the U.S., Japan and Member States of the European Union. In the U.S., there are specific regulations for battery manufacturers on lead containing wastewater discharge and specific regulations for battery smelters on lead air emissions. Environmental concerns of lead have also been well recognized in the PRC, and there are specific regulations for lead air emissions and wastewater discharges.

Although standards differ greatly in terms of mass loading, concentrations, etc, the comparison indicates that the PRC standards are generally more stringent than other available international standards for air emissions. For waste management, the PRC standards are similar to the other available international standards. For wastewater discharge, the PRC standards are not as stringent as other selected international standards; however, they apply to discharge to municipal wastewater collection systems for further treatment rather than to direct discharge to the environment. A review of the monitoring data for the Sites indicates that the current wastewater discharges in most of the Sites meet some other countries discharge standards such as the ones for France and Germany. Standards for Japan and the U.K. apply to direct discharge to surface water bodies, which is not the case for the Sites.

In addition, chemical management at the Sites can normally meet with the PRC regulatory requirements and no RECs or HRECs were identified at the Leoch Sites.

As a result, MWH concluded that no additional corrective actions would be required for the Sites with respect to the status of their environmental discharges to the environment in light of the relevant applicable international environmental standards.

#### ***4. Limitations and Exception of Assessment***

This report was intended to provide a preliminary assessment of the current environmental conditions at the Sites. This report is based on the data and information collected during the Environmental Assessment conducted by MWH. The assessment is based solely on the site conditions encountered at the time of the site investigations from March 30 through April 8, 2010. No assurance is made regarding changes in conditions subsequent to the time of investigation. In preparing this report, MWH has relied solely on documentation provided by the Company. No independent testing was conducted.

In evaluating the Sites, MWH has relied in good faith on information provided by individuals noted in this report. MWH assumes that the information provided is factual and accurate. MWH accepts no responsibility for any deficiency, misstatements or inaccuracies contained in this report as a result of omissions, misinterpretations or fraudulent acts of the persons interviewed or contacted.

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 April 27, 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 October 14, 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 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 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 realised 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) Indemnity**

The Articles contain provisions that provide an indemnity to, among other persons, the Directors and officers of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or assumed duty in their respective offices or trusts provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty.

**(ix) 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.

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*Note:* These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

**(x) Proceedings of the Board**

The board may meet for the dispatch 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.

**(xi) 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 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 entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised 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 authorised 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 recognised clearing house (or its nominee(s)) is a member of the Company it may authorise 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 authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised 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 shareholder 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 authorised 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 summarised 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 summarised 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 recognise 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 and financial assistance to purchase shares of the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

***(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, realised or unrealised, 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 authorised 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 authorised 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 authorised 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 authorised 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 summarised 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 authorised 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 authorised 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 authorised 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 authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised 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 obtained 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 May 4, 2010.

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 order of the Court 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 or articles expires, or the event occurs on the occurrence of which the memorandum or articles 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 authorised 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 meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised 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 VIII. 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.

**1. FURTHER INFORMATION ABOUT THE COMPANY****A. Incorporation**

We were incorporated as an exempted company in the Cayman Islands under the Companies Law on April 27, 2010 with the name “Leoch International Technology Ltd”. On April 30, 2010, our name was changed to “Leoch International Technology Limited 理士國際技術有限公司”.

Our principal place of business is located on 5th Floor, Xin Bao Hui Building, Nanhai Avenue, Nanshan District, Shenzhen, Guangdong Province, PRC. We have established a place of business in Hong Kong at 12th Floor, AT Tower, 180 Electric Road, North Point, Hong Kong, and we were registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on June 17, 2010. DLA Piper Hong Kong of 17th Floor, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong has been appointed as our agent for the acceptance of service of process in Hong Kong.

As we were incorporated in the Cayman Islands, we operate subject to Companies Law and our Memorandum and Articles of Association. A summary of various provisions of our Memorandum and Articles of Association and relevant aspects of Companies Law is set out in Appendix VI to this prospectus.

**B. Changes in our share capital**

Pursuant to the written resolutions of the sole shareholder of our Company passed on October 14, 2010, our authorized share capital was increased from HK\$380,000 to HK\$1,000,000,000 by the creation and issuance of an additional 9,996,200,000 Shares.

Immediately upon completion of the Global Offering and the Capitalization Issue but without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme, our issued share capital will be HK\$133,333,400 divided into 1,333,334,000 ordinary Shares each of a par value of HK\$0.10.

Except as discussed above and in the paragraphs headed “Written resolutions of the sole Shareholder of our Company passed on October 14, 2010” in this Appendix and “Reorganization” in the section headed “History, Reorganization and Group Structure” in this prospectus, there has been no alteration in our share capital since the date of incorporation of our Company.

**C. Written resolutions of the sole Shareholder of our Company passed on October 14, 2010**

Pursuant to the written resolutions of our sole Shareholder passed on October 14, 2010, it was resolved that:

- (a) we conditionally adopted the Articles of Association to take effect on the Listing Date;
- (b) our authorized share capital was increased from HK\$380,000 to HK\$1,000,000,000 by the creation and issue of an additional 9,996,200,000 Shares;
- (c) conditional on (i) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus, including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme; (ii) the execution and delivery of the agreement on the Offer Price between the Sole Global Coordinator and our Company on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance

with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

- (i) the Global Offering was approved and our Directors were authorized to allot and issue the Shares pursuant to the Global Offering;
  - (ii) the Over-allotment Option was approved and our Directors were authorized to effect the same and to allot and issue Shares upon the exercise of the Over-allotment Option;
  - (iii) conditional upon our share premium account being credited as a result of the Global Offering, our Directors were authorized to capitalize the amount of HK\$99,999,999.90 standing to the credit of the share premium account of the Company to pay up in full at par 999,999,999 Shares for allotment and issue to the sole Shareholder as of the date of the resolutions, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorized to effect the same and to allot and issue Shares pursuant thereto;
- (d) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed “Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorized to implement the same, to grant options to subscribe for Shares thereunder, and to allot and issue Shares pursuant to the exercise of options which may be granted under the Share Option Scheme;
- (e) a general unconditional mandate was given to our Directors to exercise all the powers to allot, issue and deal with, otherwise than by way of rights, scrip dividend schemes or similar arrangements in accordance with the Articles, or pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted, Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue and to be issued pursuant to the Global Offering and the Capitalization Issue (excluding the aggregate nominal value of the share capital of our Company which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of:
- (1) the conclusion of our next annual general meeting;
  - (2) the date by which our next annual general meeting is required by the Articles or any applicable law to be held; or
  - (3) the date on which such mandate is revoked or varied by an ordinary resolution by our Shareholders in general meeting;
- (f) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of any other stock exchanges as amended from time to time, and such number of Shares will represent up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:
- (1) the conclusion of our next annual general meeting; or

- (2) the expiration of the period within which our next annual general is required by the Articles or any applicable laws to be held; or
- (3) until revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (g) the general unconditional mandate mentioned in paragraph (f) above was extended by the addition to the aggregate nominal value of our share capital which may be allotted or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of our share capital repurchased by us pursuant to the mandate to repurchase Shares referred to in paragraph (e) above provided that such extended amount shall not exceed 10% of the total nominal value of our share capital in issue immediately following completion of the Global Offering (without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme).

***D. Reorganization***

In preparation for the Listing, the companies comprising our Group underwent the Reorganization and our Company became the holding company of our Group. Details of the Reorganization are set out in the section headed “History, Reorganization and Group Structure” of this prospectus.

***E. Changes in the share capital of our subsidiaries***

Our subsidiaries are listed in the Accountants’ Report, the text of which is set out in Note 4 of Appendix I to this prospectus.

In the two years preceding the date to this prospectus, there have been no alterations in the share capital of our subsidiaries other than:

**Jiangsu Leoch**

On April 23, 2010, the registered share capital of Jiangsu Leoch was increased from US\$25,000,000 to US\$34,245,210, of which US\$30,095,144 has been paid up.

**Anhui Leoch Battery**

On May 31, 2010, the registered capital of Anhui Leoch Battery was increased from US\$8,000,000 to US\$10,000,000, of which US\$8,400,000 has been paid up.

**Zhaoqing Leoch**

On April 15, 2010, the registered capital of Zhaoqing Leoch was increased from US\$8,000,000 to US\$28,000,000, of which US\$13,000,235.40 has been paid up.



**F. Repurchase by our Company of its own securities**

This paragraph sets forth information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own securities.

**(a) Provisions of the Listing Rules**

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

*(i) Shareholders' approval*

All proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a specific transaction.

As set forth in paragraph C(g) under the paragraph headed "Further information about the Company" in this Appendix, our Directors were given a general unconditional mandate to repurchase securities.

*(ii) Source of funds*

Repurchases must only be funded out of funds legally available for the purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands. A company may not repurchase its own securities on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Any repurchases may be made out of funds legally available for the purpose, namely profits or the proceeds of a fresh issue of shares made for the purpose, or, if so authorized by its articles and subject to the Companies Law, out of capital. Any premium on a purchase may be made out of profits or the company's share premium account or, if so authorized by its articles and subject to the Companies Law, out of capital.

*(iii) Trading restrictions*

The total number of shares which a company is authorized to repurchase on the Stock Exchange is such number of shares which represents up to a maximum of 10% of the existing issued share capital as of the date of the resolution approving the repurchase. A company may not issue or announce an issue of securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

*(iv) Shares to be purchased*

The Listing Rules provide that the shares which are proposed to be purchased by a company must be fully paid up.

*(v) Status of repurchased securities*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates for those securities must be cancelled and destroyed. Under the laws of the Cayman Islands, a company's repurchased securities are to be treated as cancelled.

*(vi) Suspension of repurchases*

Securities repurchases are prohibited after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been publicly announced. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

*(vii) Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a company's annual report is required to disclose details regarding repurchases of securities made during the year, including the number of securities repurchased and the aggregate prices paid.

*(viii) Connected persons*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his securities to the company.

**(b) Share capital**

The exercise in full of the repurchase mandate, on the basis of 1,333,334,000 Shares in issue immediately following completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option, options granted under the Share Option Scheme and any options which may be granted under the Pre-IPO Share Option Scheme not exercised), could accordingly result in our repurchase of up to 133,333,000 Shares during the period prior to the date on which such repurchase mandate expires or terminates.

**(c) General information relevant to the repurchase mandate**

- (i) Our Directors believe that it is in our best interests and our Shareholders' best interest to have a general authority from Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our net value and our assets and/or earnings per Share.
- (ii) There might be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate is exercised in full. However, our Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on our working capital requirements or on such gearing levels that our Directors consider appropriate from time to time.
- (iii) None of our Directors or, to the best of their knowledge having made all reasonable enquiries, none of their respective associates, has any present intention to sell any Shares to our Company if the repurchase mandate is exercised.
- (iv) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate only in accordance with the Listing Rules, the Articles and the applicable laws of the Cayman Islands. We shall procure the broker who effects the repurchase of securities to disclose to the Stock Exchange such information in relation to the purchase as the Stock Exchange may request.

- (v) If as a result of a repurchase of securities a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder (or a group of shareholders acting in concert, as defined in the Takeovers Code) 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. Except as aforesaid, our Directors are not aware of any consequences that may arise under the Takeovers Code as a result of a repurchase pursuant to the repurchase mandate.
- (vi) Any repurchase of Shares which results in the amount of Shares held by the public being reduced to less than 25% could only be implemented with the agreement of the Stock Exchange to waive the requirement regarding the public shareholding referred to above. Except in extraordinary circumstances, a waiver of this provision would not normally be given by the Stock Exchange.
- (vii) No connected person (as defined in the Listing Rules) has notified us that he has any present intention to sell Shares to our Company, nor has any connected person undertaken not to do so, if the repurchase mandate is exercised.

## 2. FURTHER INFORMATION ABOUT THE BUSINESS

### A. *Summary of material contracts*


The following contracts (not being contracts in the ordinary course of business) have been entered into by us within the two years preceding the date of this prospectus and are, or may be, material:

- (a) a share transfer agreement dated April 15, 2010 pursuant to which Leoch Power Supply purchased the entire issued share capital of Anhui Leoch Battery from Uplus at a consideration of US\$11,943,000;
- (b) a promissory note dated April 15, 2010 in the amount of US\$11,943,000 issued by Leoch Power Supply to Uplus;
- (c) an assignment agreement dated July 30, 2010 pursuant to which Uplus assigned to Mr. Dong a promissory note in the amount of US\$11,943,000 issued by Leoch Power Supply on April 15, 2010;
- (d) an assignment agreement dated July 30, 2010 pursuant to which Mr. Dong assigned to Master Alliance a promissory note in the amount of US\$11,943,000 issued by Leoch Power Supply on April 15, 2010;
- (e) an assignment agreement dated July 30, 2010 pursuant to which Master Alliance assigned to our Company a promissory note in the amount of US\$11,943,000 issued by Leoch Power Supply on April 15, 2010;
- (f) an assignment agreement dated July 30, 2010 pursuant to which our Company assigned to Catherine Holdings a promissory note in the amount of US\$11,943,000 issued by Leoch Power Supply on April 15, 2010;
- (g) a share transfer agreement dated May 13, 2010 pursuant to which Leoch Power Supply purchased the entire issued share capital of Jiangsu Leoch from D&P at a consideration of US\$37,658,000;
- (h) a promissory note dated 13 May 2010 in the amount of US\$37,658,000 issued by Leoch Power Supply to D&P;







- (i) an assignment agreement dated July 30, 2010 pursuant to which D&P assigned to Mr. Dong a promissory note in the amount of US\$37,658,000 issued by Leoch Power Supply on May 13, 2010;
- (j) an assignment agreement dated July 30, 2010 pursuant to which Mr. Dong assigned to Master Alliance a promissory note in the amount of US\$37,658,000 issued by Leoch Power Supply on May 13, 2010;
- (k) an assignment agreement dated July 30, 2010 pursuant to which Master Alliance assigned to our Company a promissory note in the amount of US\$37,658,000 issued by Leoch Power Supply on May 13, 2010;
- (l) an assignment agreement dated July 30, 2010 pursuant to which our Company assigned to Catherine Holdings a promissory note in the amount of US\$37,658,000 issued by Leoch Power Supply on May 13, 2010;
- (m) an instrument of transfer dated May 24, 2010 whereby Catherine Holdings acquired the entire issued share capital of Honour Label from Mr. Dong in consideration of which Catherine Holdings allotted and issued, credited as fully paid, one ordinary share of US\$1.00 to our Company as directed by Mr. Dong;
- (n) an instrument of transfer dated May 24, 2010 whereby Catherine Holdings acquired the entire issued share capital of Peak Year from Mr. Dong in consideration of which Catherine Holdings allotted and issued, credited as fully paid, one ordinary share of US\$1.00 to our Company as directed by Mr. Dong;
- (o) an instrument of transfer dated May 24, 2010 whereby Catherine Holdings acquired the entire issued share capital of Sheldon from Mr. Dong in consideration of which Catherine Holdings allotted and issued, credited as fully paid, one ordinary share of US\$1.00 to our Company as directed by Mr. Dong;
- (p) a share transfer agreement dated May 31, 2010 pursuant to which Catherine Holdings acquired the entire issued share capital of Leoch Battery Corp. from Peng Hui at a consideration of US\$300,000.00;
- (q) the deed of indemnity dated October 21, 2010 made by Mr. Dong;
- (r) the deed of non-competition undertakings dated October 21, 2010 made by Mr. Dong and Master Alliance; and
- (s) the Public Offer Underwriting Agreement dated November 2, 2010.





**B. *Our intellectual property rights***

- (a) As of the Latest Practicable Date, we were the registered owner of the following trademarks:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Class</u>	<u>Registration Number</u>	<u>Registration Date</u>	<u>Renewal Date</u>
	Madrid	9	1005591	2009.04.22	2019.04.21

Trademark	Place of Registration	Class	Registration Number	Registration Date	Renewal Date
<b>Leoch</b>	Madrid	9	1005595	2009.04.22	2019.04.21
<b>ENERPURE</b>	Madrid	9	1042226	2010.05.10	2020.05.10
<b>力驰宝</b>	PRC	12	6038517	2009.11.21	2019.11.20
<b>力驰宝</b>	PRC	9	6038518	2010.01.21	2020.01.20
<b>力驰康</b>	PRC	12	6038519	2009.11.21	2019.11.20
<b>力驰康</b>	PRC	9	6038587	2010.01.21	2020.01.20
	PRC	9	1296165	2009.07.21	2019.07.20
<b>力 馳</b>	PRC	9	1396541	2010.05.14	2020.05.13
	PRC	9	3244463	2003.10.07	2013.10.06
	PRC	9	3355549	2004.02.07	2014.02.06
	PRC	9	1356349	2010.01.21	2020.01.20
<b>UPLUS</b>	PRC	9	4557779	2008.01.21	2018.01.20
<b>MSB</b>	PRC	9	1916256	2002.11.28	2012.11.27
<b>理士</b>	PRC	9	1435338	2010.08.21	2020.08.20
<b>Leoch</b>	PRC	9	6824771	2010.07.14	2020.07.13

Trademark	Place of Registration	Class	Registration Number	Registration Date	Renewal Date
力普拉斯	PRC	9	6304992	2003.03.28	2020.03.27
LEOCH	Mexico	9	1108300	2009.06.11	2019.06.10
	Canada	9, 12	TMA754838	2009.12.08	2024.12.07
	United States	9	2654254	2002.11.26	2012.11.25
<b>D&amp;P</b>	United States	9	2975289	2005.07.26	2015.07.25
<b>UPLUS</b>	United States	9	3064948	2006.03.07	2016.03.06
LEOCH	United States	9	3537929	2008.11.25	2018.11.24
	United States	9	3474766	2008.07.29	2018.07.28
	United States	9, 12	2741169	2003.07.29	2013.07.28
<b>LEOCH</b>	Canada	9	TMA743300	2009.07.10	2024.07.09
	Canada	9	TMA743343	2009.07.10	2024.07.09
	European Union	9, 12	003218732	2004.09.23	2013.06.10
	European Union	9, 12	003220027	2005.4.11	2013.06.10
	Hong Kong	9, 16	301568052	2010.03.22	2020.03.22
 (with an element of blue)					

Trademark	Place of Registration	Class	Registration Number	Registration Date	Renewal Date
	Hong Kong	9, 16	301568061	2010.03.22	2020.03.22
 (with an element of blue)					
	Hong Kong	9, 16	301368070	2010.03.22	2020.03.22
 (with an element of blue)					

(b) As of the Latest Practicable Date, we had applied for the registration of the following trademarks:

Trademark	Place of Application	Class	Application Date	Application Number
	Indonesia	9	2009.03.11	D00.2009.007845
	PRC	9	2009.05.06	7375760
	PRC	9	2009.10.20	7770340
	PRC	9	2010.01.04	7966517
	PRC	9	2010.06.09	8375443
	PRC	9	2010.06.09	8375442

(c) As of the Latest Practicable Date, we have been granted the following patents:

Type of Patent	Patent Description	Patent Number	Application Date	Renewal Date	Place of Registration
Invention	Airtight VRLA lead-acid battery	HK1087248	2005.07.06	2025.07.05	Hong Kong
Registered Design	Lead-acid battery (LPF12100, LPF12150, LPF12200)	ZL200530133524.X	2005.11.14	2015.11.13	PRC
Registered Design	Lead-acid battery (LPF12-100H)	ZL200730027543.3	2007.03.28	2017.03.27	PRC

<u>Type of Patent</u>	<u>Patent Description</u>	<u>Patent Number</u>	<u>Application Date</u>	<u>Renewal Date</u>	<u>Place of Registration</u>
Utility Model	New airtight VRLA battery casing	ZL200620170736.4	2006.12.21	2016.12.20	PRC
Utility Model	Airtight VRLA battery welding machine	ZL200620170734.5	2006.12.21	2016.12.20	PRC
Utility Model	Spinning work platform for use of battery welding	ZL200620170735.X	2006.12.21	2016.12.20	PRC
Utility Model	Heat-tolerant plastic membrane used for heat seals of battery	ZL200820038613.4	2008.08.15	2018.08.14	PRC
Utility Model	Adjustable welding device used for the pneumatic of large size battery	ZL200820038611.5	2008.08.15	2018.08.14	PRC
Utility Model	Airtight VRLA golf battery	ZL200820038616.8	2008.08.15	2018.08.14	PRC
Utility Model	Airtight seal for filling port of dry charge maintenance-free motorcycle battery	ZL200820038615.3	2008.08.15	2018.08.14	PRC
Utility Model	Plastic protection pad for through-wall welding of lead-acid battery	ZL200820038612.X	2008.08.15	2018.08.14	PRC
Utility Model	Molding tools for through-wall welding, punching and soldering in the shape of oval	ZL200820038614.9	2008.08.15	2018.08.14	PRC
Utility Model	Anti-acid climbing pole	ZL200420150202.6	2004.06.17	2014.06.16	PRC
Utility Model	Airtight lead-acid battery for VRLA device and its battery	ZL200420150201.1	2004.06.17	2014.06.16	PRC



Type of Patent	Patent Description	Patent Number	Application Date	Renewal Date	Place of Registration
Utility Model	Installed plate group pressure testing machine	ZL200520034894.2	2005.07.15	2015.07.14	PRC
Utility Model	Anti-lead leakage lead-acid battery used for soldering	ZL200720118235.6	2007.01.24	2017.01.23	PRC
Utility Model	Gluing device	ZL200820147129.5	2008.09.02	2018.09.01	PRC
Invention	Airtight VRLA lead-acid battery	ZL200510021247.2	2005.07.06	2025.07.05	PRC
Invention	Nano-level composite electrolyte and its preparation method	ZL200410040933.X	2004.10.25	2024.10.24	PRC
Invention	Battery grid and casting methods	ZL200510021627.6	2005.09.01	2025.08.31	PRC
Registered Design	Lead-acid battery (12V78AH)	ZL200730174089.4	2007.09.25	2017.09.24	PRC
Utility Model	Disc-sending device for grid pasting machine	ZL200720172306.0	2007.09.29	2017.09.28	PRC
Utility Model	Water-squeezing device for grid pasting machine	ZL200720172307.5	2007.09.29	2017.09.28	PRC
Utility Model	Grids casting machine with plastic functions	ZL200720121826.9	2007.07.25	2017.07.24	PRC
Utility Model	Lead spoon device for grid casting machine	ZL200720121827.3	2007.07.25	2017.07.24	PRC
Utility Model	Grid casting machine	ZL200720121828.8	2007.07.25	2017.07.24	PRC
Utility Model	Grid casting machine	ZL200720121842.8	2007.07.26	2017.07.25	PRC
Utility Model	Grid casting machine	ZL200720172177.5	2007.09.28	2017.09.27	PRC
Utility Model	Frequency and velocity adjustable electrical machine for grid pasting machine	ZL200720172305.6	2007.09.29	2017.09.28	PRC

Type of Patent	Patent Description	Patent Number	Application Date	Renewal Date	Place of Registration
Utility Model	Past hopper device for grid pasting machine	ZL200720172309.4	2007.09.29	2017.09.28	PRC
Utility Model	Water tank device for grid casting machine	ZL200720121201.2	2007.06.28	2017.06.27	PRC
Utility Model	Squeezing device for past hopper of grid pasting machine	ZL200720172308.X	2007.09.29	2017.09.28	PRC
Utility Model	Maintenance-free VRLA battery	ZL200520064713.0	2005.09.20	2015.09.19	PRC
Registered Design	Lead-acid battery	ZL200530076077.9	2005.11.08	2015.11.07	PRC
Utility Model	Lead pipe for grid casting machine	ZL200720121825.4	2007.07.25	2017.07.24	PRC
Invention	Measuring device for lead and grid casting machine	ZL200710075253.5	2007.07.20	2027.07.19	PRC
Invention	Suction and blowing device for grid casting machine	ZL200710076158.7	2007.06.28	2027.06.27	PRC
Utility Model	Testing device for assessing the dispersion of gel electrolyte	ZL200920134674.5	2009.08.03	2019.08.02	PRC
Invention	Adjustable including device used for the pneumatic of large size battery	ZL200810022531.5	2008.08.15	2028.08.14	PRC

(d) As of the Latest Practicable Date, we had applied for the registration of the following patents in the PRC:

Type of Patent	Patent Description	Application Date	Application Number
Invention	Device for immersing parts in lead	2009.09.22	200910190728.4
Invention	Acid injecting machine for battery	2009.09.22	200910190729.9

Type of Patent	Patent Description	Application Date	Application Number
Invention	Grid casting machine for stabilizing the retraction of coats	2007.07.20	200710075252.0
Invention	Water tank device for grid casting machine	2007.06.28	200710076159.1
Invention	Testing method and device for assessing the time required to solidify gel electrolyte	2009.07.31	200910109211.8
Invention	Battery safety valve	2009.08.04	200910109240.4
Utility Model	Cooling plate of kinetic battery and kinetic battery	2009.08.13	200920134767.8
Invention	Airtight VRLA golf battery and its manufacture method	2008.08.15	200810022532.X
Invention	The manufacturing technique of the steel polar of lead-acid battery	2009.09.14	200910182435.1
Invention	New grid for improving short circuit of polar board	2009.09.14	200910182436.6
Utility Model	Simple device to material quenching of grid	2009.09.14	200920232699.9
Invention	Automatic device controlling casting and welding time and method of control	2010.05.27	201010190048.5
Invention	Automatic control device for positioning of painted plates and method of control	2010.05.27	201010190057.4

Type of Patent	Patent Description	Application Date	Application Number
Utility Model	Storage battery with protection sleeve for polar plate	2010.05.27	201020213309.6
Invention	Method and device of adding acid for extra small lead-acid storage battery	2009.08.20	200910189611.4
Invention	Control system for constant temperature	2010.08.05	201010246415.3
Invention	Temperature and humidity control system to be used in solidification room	2010.08.06	201020284026.0
Invention	Method to measure degree of oxidation of lead powder	2010.08.11	201010250854.7
Invention	a type of pliers and how to use the pliers to manufacture storage battery	2010.08.11	201010250864.0
Invention	Grounding structure of a battery box and battery box with such grounding structure	2010.08.12	201010289945.7
Invention	A painted plate device	2010.08.12	201010289955.0
Invention	A bus for casting and welding lead-acid storage battery and lead-acid storage battery	2010.08.13	201010253072.9
Invention	A system for casting and welding battery	2010.08.13	201020291640.X

<u>Type of Patent</u>	<u>Patent Description</u>	<u>Application Date</u>	<u>Application Number</u>
Invention	A covering pattern plate for storage battery and covering device	2010.08.17	201010255548.2
Invention	A post seal structure for storage battery and storage battery	2010.08.18	201010256620.3
Invention	A mold	2010.08.18	201010256643.4
Invention	A device for assembling sealing ring for small density battery	2010.08.18	201020296278.5
Invention	An anode plate	2010.08.26	201010263932.7
Invention	An adhesive for storage battery and the relevant manufacturing method and storage battery	2010.08.26	201010263982.5
Invention	A belt device for transporting psychoactive substance of recycled painted plate machine and painted plate machine	2010.09.01	201020513155.2

(e) As of the Latest Practicable Date, we were the registered owner of the following domain name(s):

<u>Domain Name</u>	<u>Expiration Date</u>
<a href="http://www.leoch.com">www.leoch.com</a>	2020.09.04

The contents of the website(s), registered or licensed, do not form part of this prospectus.

Except as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are or may be material in relation to our business.

### 3. FURTHER INFORMATION ABOUT OUR OPERATING SUBSIDIARIES IN THE PRC

Brief particulars of the operating subsidiaries of our Company set up in the PRC are set out below:

#### (1) *Jiangsu Leoch*

Name:.....	江蘇理士電池有限公司 (Leoch Battery (Jiangsu) Corp.)
Date of establishment:.....	March 11, 2003
Nature:.....	Limited liability company (solely invested by Taiwan, Hong Kong and Macau legal entity)
Registered office: .....	Industrial Zone, Jinhua County
Registered owner: .....	Leoch Power Supply
Scope of business:.....	Manufacture of maintenance-free lead-acid batteries, Ni-MH batteries, Lithium batteries, Ni-Cd batteries, chargers, controllers and the relevant injection, moulding, automotive ancillary, electric car and its ancillaries, mechanical and electrical equipment and its ancillaries, emergency light, sale of its self-manufactured products, collection and recycling of scrap batteries
Registered capital:.....	US\$34,245,210 (of which US\$30,095,144 has been paid up)
Total investment: .....	US\$35,000,000
Attributable interest to our Group: .....	100%
Term of operation:.....	March 11, 2003 to March 10, 2053
Legal Representative:.....	Mr. Dong

#### (2) *Anhui Leoch Battery*

Name:.....	安徽理士電池技術有限公司 (Anhui Leoch Battery Technology Corp.)
Date of establishment:.....	July 26, 2006
Nature:.....	Limited liability company (solely invested by Taiwan, Hong Kong and Macau legal entity)
Registered owner: .....	Leoch Power Supply
Registered office: .....	1 Nvzhen Road, Suixi Economic Development Zone, Huaibei City
Scope of business:.....	Manufacture and sale of all kinds of batteries, car batteries and Ni-MH batteries; manufacture of battery separators and its ancillaries, floc fibers and glass fiber mat; lead smelting; processing of copper, zinc, tin alloy product material, electrolytic lead, lead alloy material product and lead chemical raw material (excluding hazardous chemicals); recycling and processing of scrap battery, scrap lead and all lead waste material
Registered capital:.....	US\$10,000,000 (of which US\$8,400,000 has been paid up)
Total investment: .....	US\$15,000,000
Attributable interest to our Group: .....	100%
Term of operation:.....	July 26, 2006 to July 26, 2056
Legal Representative:.....	Mr. Dong

**(3) Shenzhen Leoch**

Name:.....	深圳理士奧電源技術有限公司 (Shenzhen Leoch Battery Technology Co., Ltd)
Date of establishment:.....	April 26, 1999
Nature:.....	Limited liability company (re-invested by foreign invested enterprise)
Registered owner: .....	Jiangsu Leoch
Registered office: .....	No.9, Kukeng Tongfuyu Industrial Zone, Guanlan Town, Bao'an District, Shenzhen, PRC
Scope of business:.....	Manufacture and sale of VRLA battery; manufacture and sale of scooter, charger, power supply apparatus and ancillary; import and export of goods and technology, recycling and sale of scrap battery (without directly engaging in recycling storage and sorting) (the above does not include any circumstance where pre-approval is required or prohibited by the laws, administrative regulations or the State Council's decisions); general cargo (valid until July 1, 2011)
Registered capital:.....	RMB20,000,000 (fully paid up)
Attributable interest to our Group: .....	100%
Term of operation:.....	April 26, 1999 to April 26, 2019
Legal Representative:.....	Mr. Dong

**(4) Zhaoqing Leoch**

Name:.....	肇慶理士電源技術有限公司 (Zhaoqing Leoch Battery Technology Co., Ltd.)
Date of establishment:.....	May 9, 2005
Nature:.....	Limited liability company (solely invested by Taiwan, Hong Kong and Macau legal entity)
Registered owner: .....	Leoch Power Supply
Registered office: .....	Zhaoqing High-tech Industry Development Area
Scope of business:.....	Manufacture and operation of vehicle and motorcycle mould, high-capacity sealed maintenance-free lead-acid battery, all kinds of chargeable battery, charger, controller, hardware, plastic, electronic and mechanical and electrical products and all kinds of electric motor and battery car (excluding engine)
Registered capital:.....	US\$28,000,000 (of which US\$13,000,235.4 has been paid up)
Total investment:.....	US\$40,000,000
Attributable interest to our Group: .....	100%
Term of operation: .....	May 9, 2005 to May 8, 2055
Legal Representative: .....	Mr. Dong

**(5) Dongguan Leoch**

Name:.....	東莞市理士奧電源技術有限公司 (Dongguan Leoch Battery Technology Co., Ltd.)
Date of establishment:.....	November 27, 2002
Nature:.....	Limited liability company (solely invested by legal entity)
Registered owner: .....	Jiangsu Leoch
Registered office: .....	Nancheng Industrial Zone, Daping Village, Tangxia Town, Dongguan City

Scope of business:.....	Assembling and sale of VRLA battery, semi-finished battery and ancillary; assembling and sale of Ni-MH battery and its ancillary; research and development of the technology of and manufacture and sale of charger, moulding, injection, scooter, bicycle, power supply and ancillary research and development of the technology of electric motorcycle (where any of the items above requires a certificate, the relevant permit should be obtained); operating the export of its self-manufactured products and the import of the mechanical equipment, component and auxiliary material, except for import and export of goods and technology that is prohibited or restricted by the government
Registered capital:.....	RMB3,500,000 (fully paid up)
Attributable interest to our Group: .....	100%
Term of operation:.....	Infinity
Legal Representative:.....	Mr. Dong

**(6) Shenzhen Leoch Battery**

Name:.....	深圳理士電池技術有限公司 (Leoch Battery Shenzhen Corp.)
Date of establishment:.....	September 27, 2007
Nature:.....	Limited liability company (solely invested by legal entity)
Registered owner: .....	Shenzhen Leoch
Registered office: .....	Unit E8, E9, E148, E149, Xin Bao Hui Building, Nanhai Avenue, Nanshan District, Shenzhen, PRC
Scope of business:.....	Research and development the technology of and provide technical services for battery and power supply; sale and provide relevant information consultation for battery, power supply equipment and communication equipment; operate import and export (excluding items prohibited by the laws, administrative regulations and the State Council's decisions. Where any of the items above is restricted, the relevant permit should be obtained)
Registered capital:.....	RMB1,000,000 (fully paid up)
Attributable interest to our Group: .....	100%
Term of operation:.....	September 27, 2007 to September 27, 2017
Legal Representative:.....	Mr. Dong

**(7) Kunming Leoch**

Name:.....	昆明理士奧工程技術有限公司 (Kunming Leoch Engineering Technology Co., Ltd.)
Date of establishment:.....	May 25, 2006
Nature:.....	Limited liability company (solely invested by legal entity)
Registered owner: .....	Shenzhen Leoch
Registered office: .....	No. 1403, Unit 1, Block 3, District A, Jin Zhou Wan Lan Yu, Lianmeng Road, Panlong District, Kunming City



Scope of business:.....	Design, construction and maintenance of security and protection project; research and development and sale of power supply equipment and battery technology; sale and technical service for communication equipment, golf cart, electric cars and battery (where specific approval is required for any of the items above by the national laws or administrative regulations, the above shall be carried out in accordance with the approval and within the approved time limit)
Registered capital:.....	RMB500,000 (fully paid up)
Attributable interest to our Group: .....	100%
Term of operation:.....	May 25, 2006 to May 25, 2016
Legal Representative:.....	Qian Guanghong

**(8) Nanjing Leoch**

Name:.....	南京理士奧電源技術有限公司 (Nanjing Leoch Battery Technology Co., Ltd.)
Date of establishment:.....	March 15, 2006
Nature:.....	Limited liability company (solely invested by legal entity)
Registered owner: .....	Shenzhen Leoch
Registered office: .....	Room 901, Building#6, 399 Zhongyang Road, Gulou District, Nanjing City
Scope of business:.....	Licensed project: None; General project: research, development and provide technical service for intelligent power supply equipment and battery; sale of and provide consultation services for communication and power equipment, power supply equipment, battery, golf cart, golf cart battery and battery
Registered capital:.....	RMB300,000 (fully paid up)
Attributable interest to our Group: .....	100%
Term of operation:.....	March 15, 2006 to March 14, 2026
Legal Representative:.....	Xiong Zhenglin

**(9) Beijing Leoch**

Name:.....	北京理士奧電源技術有限公司 (Beijing Leoch Engineering Technology Co., Ltd.)
Date of establishment:.....	December 14, 2004
Nature:.....	Limited liability company (solely invested by legal entity)
Registered owner: .....	Shenzhen Leoch
Registered office: .....	Room 1002 – 1003, 28 Fuchengmenwai Street Jia, Xi Cheng District, Beijing City
Scope of business:.....	Technical service: sale of electronic products, hardware, electronic component, sport equipment and vehicle accessories
Registered capital:.....	RMB1,000,000 (fully paid up)
Attributable interest to our Group: .....	100%
Term of operation:.....	December 14, 2004 to December 13, 2024
Legal Representative:.....	Li Honglin

**(10) Xining Leoch**

Name:.....	西寧理士奧工程技術有限公司 (Xining Leoch Engineering Technology Co., Ltd.)
Date of establishment:.....	November 15, 2006
Nature:.....	Limited liability company (solely invested by legal entity)
Registered owner: .....	Shenzhen Leoch
Registered office: .....	Room 352, Building 1, 3 Xishan San Xiang, Chengxi District, Xining City
Scope of business:.....	Construction of and technical service for computer network project; sale of and technical service for power supply equipment, electric car and, reserve battery and communication equipment (excluding satellite ground-receiving equipment)
Registered capital:.....	RMB700,000 (fully paid up)
Attributable interest to our Group: .....	100%
Term of operation:.....	November 15, 2006 to November 15, 2010
Legal Representative:.....	Qian Guanghong

**(11) Anhui Leoch Power**

Name:.....	安徽理士電源技術有限公司 (Anhui Leoch Power Supply Corp.)
Date of establishment:.....	October 26, 2010
Nature:.....	Limited liability company (solely invested by Taiwan, Hong Kong and Macau entity)
Registered owner: .....	Leoch Power Supply
Registered office: .....	Suixi Economic Development Zone, Huaibei City
Scope of business:.....	Manufacture and sale of its own batteries of different types, vehicle batteries, lithium batteries manufactured; batteries casing and its spare parts, fibre threads, glass fibre mat; materials for copper, zinc, tin alloy products, electrode lead, lead alloy products, processing of raw materials for lead chemicals (excluding hazardous chemical products), glass fibre, heat solvent glue, epoxide resin glue, batteries components, electrodes, wires, batteries rack, batteries cabinet, engine cabinets, communication equipment, engine casings, chargers, power supplies, transformers, metal goods, moulds, injection moulding, plastic products, laminate paint, electroplating, surge, spray painting, toner (where any of the items above requires a certificate, the relevant permit should be obtained)
Registered capital:.....	HK\$150,000,000 (non-paid up)
Attributable interest to our Group: .....	100%
Term of operation:.....	October 26, 2010 to October 26, 2060
Legal Representative:.....	Mr. Dong

**4. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS****A. Particulars of Directors' service agreements**

Each of the executive Directors has entered into a service agreement with our Company commencing from the Listing Date for a term of three years.

The current basic annual remunerations (excluding any discretionary bonus which may be paid) payable by our Group to the executive Directors are set out below.

**Executive Director**

Dong Li .....	RMB500,000
Zhao Huan .....	RMB300,000
Philip Armstrong Noznesky .....	US\$120,000

Each of the independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date and renewable by mutual agreement on annual basis. The current basic annual remuneration payable by our Group to the independent non-executive Directors are set out below:

**Independent Non-executive Director**

An Wenbin .....	HK\$120,000
Cao Yixiong Alan .....	HK\$120,000
Liu Yangsheng .....	HK\$120,000

**B. Directors' remuneration**

The aggregate amount of compensation (including any salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by us during the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, to those persons who have been or are our Directors, was approximately RMB0.3 million, RMB1.5 million, RMB1.6 million and RMB1.0 million, respectively.

It is estimated that remuneration (excluding discretionary bonus) and benefits in kind equivalent to approximately RMB1.7 million in aggregate will be paid and granted to our Directors by us in respect of the year ending December 31, 2010 under arrangements in force as of the date of this prospectus.

**C. Personal guarantees**

Save and except as disclosed in Appendix I to this prospectus, no executive Directors or related parties have provided guarantees for debts and liabilities due by any members of our Group.

**D. Interests of Directors and chief executive in our share capital in the Shares, underlying Shares and debentures of our Company and its associated corporations**

Immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme), the interests and short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, will be as follows:

Name of Director/Chief Executive	Nature of Interest	Number and class of securities*	Number and class of securities subject to options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding <sup>(4)</sup>
Mr. Dong .....	Interest in a controlled corporation	1,000,000,000 <sup>(1)</sup> (L)	–	75%
Zhao Huan .....	Beneficial owner	–	1,500,000 <sup>(2)</sup> (L)	0.1%
Philip Armstrong Noznesky	Beneficial owner	–	1,500,000 <sup>(3)</sup> (L)	0.1%

*Notes:*

- (1) Mr. Dong is deemed to be interested in 1,000,000,000 Shares which are beneficially owned by Master Alliance, a company which is wholly owned by Mr. Dong.
  - (2) Ms. Zhao Huan has been granted an option for 1,500,000 Shares under the Pre-IPO Share Option Scheme.
  - (3) Mr. Philip Armstrong Noznesky has been granted an option for 1,500,000 Shares under the Pre-IPO Share Option Scheme.
  - (4) As required by the SFO, the relevant percentages are calculated by reference only to the Shares in issue immediately following the completion of the Global Offering and on the assumption that no Shares are allotted and issued pursuant to the exercise of the Over-allotment Option, or issued and allotted pursuant to the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme. Consequently, this is based on 1,333,334,000 Shares, being the number of Shares in issue on the Listing Date assuming that the Offer Shares have been allotted and issued.
- \* The letter "L" denotes long position of the shareholder in the Shares.

**E. Substantial shareholders**

So far as the Directors are aware, information on the persons, not being Directors or the chief executive of our Company, who will have, immediately following completion of the Global Offering and the Capitalization Issue (without taking into account Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option, or options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme) an interest or short position in the Shares and underlying Shares of our Company which would fall 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 who is, 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 other member of our Group will be as follows:

Name of Shareholder	Nature of interest	Number and class of securities*	Approximate percentage of shareholding <sup>(2)</sup>
Master Alliance <sup>(1)</sup> .....	Beneficial owner	1,000,000,000 (L)	75%

*Notes:*

- (1) Master Alliance is a company wholly owned by Mr. Dong.
  - (2) As required by the SFO, the relevant percentages are calculated by reference only to the Shares in issue immediately following the completion of the Global Offering and on the assumption that no Shares are allotted and issued pursuant to the exercise of the Over-allotment Option, or issued and allotted pursuant to the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme. Consequently, this is based on 1,333,334,000 Shares, being the number of Shares in issue on the Listing Date assuming that the Offer Shares have been allotted and issued.
- \* The letter "L" denotes long position of the shareholder in the Shares.

**5. PRE-IPO SHARE OPTION SCHEME****(a) Summary of terms of the Pre-IPO Share Option Scheme**

The purpose of the Pre-IPO Share Option Scheme is to provide incentive or reward to Eligible Persons (as mentioned in paragraph (i) below) for their contribution to, and continuing efforts to promote the interests of, our Company and to enable our Group to recruit and retain high-calibre employees.

The principal terms of the Pre-IPO Share Option Scheme, approved by written resolutions of the then sole Shareholder dated May 25, 2010, are set out as follows:

**(i) The Grantees**

The Pre-IPO Share Option Scheme is available to the directors and employees (whether full time or part time) of any member of our Group.

**(ii) Maximum Number of Shares to be Allotted**

The maximum number of the Shares with respect to which options may be granted under the Pre-IPO Share Option Scheme shall be 60,000,000 Shares representing approximately 4.5% of our issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme are not exercised).

**(iii) Subscription Price**

The subscription price in respect of each Share under the Pre-IPO Share Option Scheme is determined by the Board at its discretion and set out in the relevant offer letters provided that it should not be less than the nominal value of the Shares.

**(iv) Duration of Plan**

After the Latest Practicable Date, no further options will be offered or granted under the Pre-IPO Share Option Scheme but in other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and options which are granted on or before the Latest Practicable Date may continue to be exercisable in accordance with their terms of issue.

**(v) Exercise Period and Vesting Period**

Unless otherwise provided in the offer letter(s), except for the options granted to Mr. Liu Shuen Kong, options granted under the Pre-IPO Share Option Scheme are to be vested in the following manner:

- (1) a grantee is entitled to exercise 25% of the total number of options granted at anytime during the 10 years after the second anniversary of the date of offer of the options (the "Offer Date") with the relevant vesting period from the Offer Date up to the date immediately before the second anniversary of the Offer Date.
- (2) a grantee is entitled to exercise an additional 25% of the total number of Options granted at anytime during the 9 years after the third anniversary of the Offer Date with the relevant vesting period from the Offer Date up to the date immediately before the third anniversary of the Offer Date;
- (3) a grantee is entitled to exercise a further additional 25% of the total number of Options granted at anytime during the 8 years after the fourth anniversary of the Offer Date with the relevant vesting period from the Offer Date up to the date immediately before the fourth anniversary of the Offer Date; and
- (4) a grantee is entitled to exercise the remaining 25% of the total number of Options granted at anytime during the 7 years after the fifth anniversary of the Offer Date, with the relevant vesting period from the Offer Date up to the date immediately before the fifth anniversary of the Offer Date.

In respect of the options granted to Mr. Liu Shuen Kong, he is entitled to exercise:

- (1) one-third of the total number of options granted at anytime during the 10 years after the first anniversary of the Offer Date with the relevant vesting period from the Offer Date up to the date immediately before the first anniversary of the Offer Date;
- (2) an additional one-third of the total number of options granted at anytime during the 9 years after the second anniversary of the Offer Date with the relevant vesting period from the Offer Date up to the date immediately before the second anniversary of the Offer Date; and

- (3) the remaining one-third of the total number of options granted at anytime during the 8 years after the third anniversary of the Offer Date with the relevant vesting period from the Offer Date up to the date immediately before the fourth anniversary of the Offer Date.

**(vi) Exercise of Options**

Any exercise of an option granted under the Pre-IPO Share Option Scheme is conditional upon:

- (1) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme;
- (2) the commencement of dealings in the Shares on the Stock Exchange in any event by June 30, 2011;
- (3) any such conditions as may be specified in the offer letter in respect of the grant of options.

The expiry date of the exercise period of any such options shall be set out more particularly in the relevant offer letter in respect of the grant of options.

**(vii) Rights Personal to Grantees**

The option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option.

**(viii) Ranking of Shares**

The Shares to be allotted upon the exercise of an option shall rank *pari passu* in all respects with our fully-paid Shares in issue as of the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment.

**(ix) Right to Cancel Options**

The Board may cancel an option granted but not exercised with the approval of the grantee of such option.

**(b) Outstanding Options Granted under the Pre-IPO Share Option Scheme**

As of the Latest Practicable Date, we had conditionally granted options to subscribe for an aggregate of 39,180,000 Shares (representing approximately 2.9% of our total issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme are not exercised) to 147 participants in consideration of an option price of RMB1.00 for each acceptance of an offer of options under the Pre-IPO Share Option Scheme. The subscription price in respect of each Share under the Pre-IPO Share Option Scheme ranges from HK\$0.2 to HK\$5.0 representing (i) a discount of 96.2% and 6.5% to the high-end and (ii) a discount of 94.7% and a premium of 33.3% to the low-end of the Offer Price, respectively. No further options will be granted under the Pre-IPO Share Option Scheme after the Latest Practicable Date. Assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full during the year ending December 31, 2010 and that 1,372,514,000 Shares, comprising 1,333,334,000 Shares to be in issue immediately after the Global Offering and 39,180,000 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue throughout

the year ending December 31, 2010, but not taking into account the Over-allotment Option and any option which may be granted under the Share Option Scheme, the pro-forma earnings per Share will be diluted from RMB0.19 to RMB0.18. Application has been made to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the outstanding options granted under the Pre-IPO Share Option Scheme.

Details of (a) each of the directors of our Company or its subsidiaries and members of our senior management who have been conditionally granted options under the Pre-IPO Share Option Scheme; and (b) each of our employees who is not a director of our Company or its subsidiaries or a member of our senior management but has been conditionally granted options under the Pre-IPO Share Option Scheme to subscribe for 1,000,000 Shares or more are set out below:

Name of grantee	Residential address	Position held within our Group	Exercise price of the options per Share (HK\$)	Number of underlying Shares	Approximate percentage of total number of options granted	Approximate percentage of shareholding held upon exercise of all the options
<b>Directors of our Company or its subsidiaries</b>						
Philip Armstrong Noznesky .....	4999 Long Island Dr NW, Atlanta, GA 30327, United States	Executive Director	2.0	1,500,000	3.8%	0.1%
Zhao Huan .....	602, Building 5, No. 5 Wenhua Road, Technology Park, Nanshan District, Shenzhen City, China	Executive Director	1.4	1,500,000	3.8%	0.1%
<b>Senior management of our Group</b>						
Qian Guanghong ....	Room 2305, Building 8, Ding Tai Feng Hua Phase 5, Qian Hai Road, Nan Shan District, Shenzhen City, China	Vice president	0.2	2,000,000	5.1%	0.1%
Hong Yu.....	Floor 22, Building 25, Weilan Haiian Phase 2, Nan Shan District, Shenzhen City, China	Vice president	0.4	2,000,000	5.1%	0.1%

Name of grantee	Residential address	Position held within our Group	Exercise price of the options per Share (HK\$)	Number of underlying Shares	Approximate percentage of total number of options granted	Approximate percentage of shareholding held upon exercise of all the options
Li Yujiu .....	No. 901, Building No. 27, Fu Xing Men Wai Da Jie, Xicheng District, Beijing, China	Vice president	1.6	1,500,000	3.8%	0.1%
Xiong Zhenglin.....	2C902, Jin Se Hua Er Zi, Ding Tai Feng Hua, Qian Hai Road, Nan Shan District, Shenzhen City, China	Vice president	0.2	1,300,000	3.3%	0.1%
Peng Xiaomeng.....	14851 Jeffrey Rd. SPC 205, Irvine, CA 92618, United States	Vice president	1.8	1,000,000	2.6%	0.1%
Liu Shuen Kong ....	Room 1402, 14/F., Golden Industrial Building, 16-26 Kwai Tak Street, Kwai Chung, Hong Kong	Chief financial officer and company secretary	5.0	1,500,000	3.8%	0.1%



Name of grantee	Residential address	Position held within our Group	Exercise price of the options per Share (HK\$)	Number of underlying Shares	Approximate percentage of total number of options granted	Approximate percentage of shareholding held upon exercise of all the options
<b>Employees who have been conditionally granted options to subscribe for 1,000,000 Shares or more</b>						
Li Honglin .....	7C, Block B, Hai An Ming Zhu, Chuang Ye Road, Nan Shan District, Shenzhen City, China	Employee	0.4	1,300,000	3.3%	0.1%
Zheng Liqing .....	3B, Building 10, Weilan Hai'an Phase 1, Nan Shan District, Shenzhen City, China	Employee	1.0	1,000,000	2.6%	0.1%
Dong Zhonghua ....	No.409, Unit 5, Building 1, District A of Dong Yuan Ge, Dong Huan Er Road, Long Hua Town, Bao An District, Shenzhen City, China	Employee	1.0	1,000,000	2.6%	0.1%
<b>Other employees</b>						
136 employees as a group .....			In the range of HK\$0.2 to HK\$2.0	23,580,000	60.2%	1.8%
Total .....				<u>39,180,000</u>	<u>100%</u>	<u>2.9%</u>

As of the Latest Practicable Date, particulars of outstanding options that have been conditionally granted by us under the Pre-IPO Share Option Scheme to (i) directors of our Company or its subsidiaries; (ii) senior management members; (iii) our employees who are not director of our Company or its subsidiaries or member of our senior management but have been conditionally granted options under the Pre-IPO Share Option Scheme to subscribe for 1,000,000 Shares or more; and (iv) our other employees are as follows.

Category	Total number of grantees in each category	Number of underlying Shares subject to the options
Directors of our Company or its subsidiaries .....	2	3,000,000
Members of senior management .....	6	9,300,000
Employees conditionally granted options to subscribe for 1,000,000 Shares .....	3	3,300,000
Other employees .....	136	23,580,000
<b>Total number of outstanding options granted under the Pre-IPO Share Option Scheme:</b>		39,180,000

A full list of all the 147 grantees (including the grantees specifically set out above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, and Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules is available for public inspection during the period as referred to in the section headed “Documents Available for Inspection” in Appendix VIII to this prospectus.

Save as disclosed, no other option has been granted or agreed to be granted by our Company under the Pre-IPO Share Option Scheme. No options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

***(c) Exemption from the SFC and Waiver from the Stock Exchange***

In accordance with section 342(1)(b) and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, we shall disclose in this prospectus the names, addresses and the number of options granted to each of the grantees under the Pre-IPO Share Option Scheme and other required particulars such as the exercisable period, the price payable for subscription of Shares under an option, and the consideration given for grant of an option.

In accordance with Rule 17.02(1)(b) of the Listing Rules, we shall disclose full details of all outstanding options. It is also required in paragraph 27 of Part A of Appendix 1 to the Listing Rules that we shall disclose all particulars of any capital of any member of our Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.

We have applied to (i) the SFC for a certificate of exemption under section 342A of the Companies Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of the Third Schedule to the Companies Ordinance, and (ii) the Stock Exchange for a waiver from full compliance with the disclosure requirements of Rule 17.02(1)(b) and paragraph 27 of Part A of Appendix 1 to the

Listing Rules, in respect of the names and addresses of the employees of our Group to whom options have been granted under the Pre-IPO Share Option Scheme for the following reasons:

- a. given the large number of grantees who have been granted with options under the Pre-IPO Share Option Scheme, it is unduly burdensome and impracticable to include in this prospectus all the details of the grantees as required by the Companies Ordinance and the Listing Rules;
- b. the grant and exercise in full of all the options granted under the Pre-IPO Share Option Scheme will not cause any material adverse change in the financial position of the Company;
- c. the options have been granted to each of the employees of our Group after taking into account his or her performance, contribution to our Group and personal merit as assessed by our Directors. Since there of course exist different views of the performance and merit of any particular employee from the perspectives of other employees, disclosure of full particulars of the entitlements of all employees on an individual basis would likely have an adverse effect on the morale of the employees of our Group whether or not such employees had been granted any options under the Pre-IPO Share Option Scheme;
- d. the information disclosed in this prospectus regarding the Pre-IPO Share Option Scheme and the grantees are sufficient to provide potential investors with information to make a informed assessment of the potential dilution effect and impact on earnings per Share of the options granted under the Pre-IPO Share Option Scheme in their investment decision making process; and
- e. non-compliance with the disclosure requirements does not prevent the potential investors from making an informed assessment of our activities, assets, liabilities, financial position, management and prospects.

The Stock Exchange has granted the waiver to us, subject to the following conditions:

- (i) full disclosure in this prospectus on all options under the Pre-IPO Share Option Scheme granted to each of the Directors, senior management, connected persons and grantees who have been granted options for 1,000,000 option Shares or more, including all the particulars required under paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance and Rule 17.02(1)(b) and paragraph 27 of Part A of Appendix 1 to the Listing Rules;
- (ii) disclosure in this prospectus, for the remaining grantees on an aggregate basis, (a) their aggregate number and the number of Shares underlying the options granted, (b) the consideration paid for the options, (c) the exercise period of each option, and (d) the exercise price of the options;
- (iii) disclosure in this prospectus the aggregate number of Shares underlying the options under the Pre-IPO Share Option Scheme and the percentage of our issued share capital represented by them, the dilution effect and impact on earnings per Shares upon full exercise of the options under the Pre-IPO Share Option Scheme; and
- (iv) availability for public inspection a full list of all grantees under the Pre-IPO Share Option Scheme with all the particulars required under the Companies Ordinance and the Listing Rules.

The SFC (pursuant to section 342A of the Companies Ordinance) has granted the certificate of exemption to us on the following conditions:

- (i) full details of the options granted by our Company under the Pre-IPO Share Option Scheme to each of the grantees who is (a) a director of our Company or its subsidiaries or a member of our Company's senior management; or (b) not a director of our Company or its subsidiaries or a member of our Company's senior management but has been conditionally granted options under the Pre-IPO Share Option Scheme to subscribe for 1,000,000 Shares or more, are disclosed in the prospectus; such details include all the particulars required under paragraph 10 of the Third Schedule to the Companies Ordinance;
- (ii) in respect of options granted by our Company to employees of our Group other than those referred to in (i) above, the following details are disclosed in this prospectus:
  - (a) the aggregate number of grantees and number of Shares subject to such options;
  - (b) the consideration paid for the grant of such options; and
  - (c) the exercise period and the exercise price for such options; and
- (iii) a list of all the grantees (including the persons referred to in (i) above) who have been conditionally granted with options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing full details as required under paragraph 10 of the Third Schedule to the Companies Ordinance, be made available for public inspection in accordance with the section headed "Documents Available for Inspection" in Appendix VIII to this prospectus.

Our Directors are also of the view that, in considering the above conditions or requirements undertaken by our Company, the issue of the certificate of exemption by SFC under section 342A of the Companies Ordinance and the grant of the waiver by the Stock Exchange from full compliance with the disclosure requirements of Rule 17.02(1)(b) and paragraph 27 of Part A of Appendix 1 to the Listing Rules as set out in the application will not prejudice the interests of the investing public.

## 6. SHARE OPTION SCHEME

### *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the written resolutions of all the shareholders of our Company passed on October 14, 2010. Our Directors confirm that the terms of the Share Option Scheme comply with the requirements under Chapter 17 of the Listing Rules.

#### **(a) Purpose**

The purpose of the Share Option Scheme is to provide incentive or reward to Eligible Persons (as defined in paragraph (b) below) for their contribution to, and continuing efforts to promote the interests of, our Group and for such other purposes as the Board may approve from time to time.

#### **(b) Who may join**

The Board may, at its absolute discretion, offer eligible persons (being any director or employee (whether full time or part time), consultant or advisor of our Group who in the sole discretion of the Board has contributed to will contribute to our Group) (the "Eligible Persons") to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

**(c) Maximum number of Shares**

- (i) The maximum aggregate 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 share option schemes of our Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.
- (ii) Subject to paragraphs (c)(i), (iv) and (v), at the time of adoption by our Company of the Share Option Scheme or any new share option scheme (the “New Scheme”), the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, the New Scheme and all schemes existing at such time (the “Existing Schemes”) of our Company must not in aggregate exceed 10% of the total number of the Shares in issue as at the Listing Date (the “Scheme Mandate Limit”).
- (iii) For the purposes of calculating the Scheme Mandate Limit under paragraph (c)(ii), Shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted.
- (iv) The Scheme Mandate Limit may be refreshed by ordinary resolution of the Shareholders in general meeting, provided that:
- the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of issued Shares as at the date of Shareholders’ approval of the refreshment of the Scheme Mandate Limit;
  - options previously granted under any Existing Schemes (including options outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the limit as refreshed; and
  - a circular regarding the proposed refreshment of the Scheme Mandate Limit has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules.
- (v) Our Company may seek separate approval from the Shareholders in the general meeting for granting options which will result in the Scheme Mandate Limit being exceeded, provided that:
- the grant is to Eligible Persons specifically identified by our Company before the approval is sought; and
  - a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules and other applicable laws and rules.

in accordance with the terms of the Share Option Scheme.

**(d) Maximum number of options to any one individual**

No option shall be granted to any Eligible Person (the “Relevant Eligible Person”) if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all Options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the Relevant Eligible Person in the 12-month period expiring on the date on which an offer of the grant of an option under the Share Option Scheme is made to the Relevant Eligible Person would exceed 1% of the total number of Shares in issue at such time, unless:

- such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by ordinary resolution of the Shareholders in general meeting, at which the Relevant Eligible Person and his associates abstained from voting;
- a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules; and
- the number and terms (including the Subscription Price) of such options are fixed before the general meeting of our Company at which the same are approved.

**(e) Price of Shares**

The subscription price for a Share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be a price solely determined by the Board and notified to all Eligible Person and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of offer to grant option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotations sheet for the five business days immediately preceding the date of offer to grant option (the “Offer Date”) (provided that the new issue price shall be used as the closing price for any business day falling within the period before the listing Shares where our Company has been listed for less than five business days as of the Offer Date); and (iii) the nominal value of the Share. A consideration of RMB1.00 is payable on acceptance of the offer of an option or options.

**(f) Granting options to connected persons**

Any grant of options to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the options). If our Company proposes to grant options to a Substantial Shareholder or an independent non-executive Director of our Company or their respective associates which will result in the number and value of Shares issued and to be issued upon exercise of all options 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 the offer of such grant in aggregate exceeding: (i) 0.1% of the Shares in issue at the relevant time of grant; and (ii) HK\$5 million, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange at the date of each grant, such grant shall not be valid unless: (A) a circular containing the details of the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including in particular, a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee) to the independent Shareholders as to voting); and (B) the grant has been approved by the Shareholders in general meeting (taken on a poll), at which all Connected Persons abstained from voting in favour at such meeting.

**(g) Restrictions on the time of grant of options**

No offer to grant option shall be made after a price-sensitive event 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 Listing Rules. In particular, no options may be offered to be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified by our Company to the Stock Exchange in accordance with the 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 Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of actual publication of the results announcement. The period which no option may be granted will cover any period of delay in the publication of results announcement.

**(h) Rights are personal to grantee**

An option is personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option.

**(i) Time of exercise of option**

Subject to the provisions of the Listing Rules and other applicable laws and regulations, 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 offer Letter) 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.

The date of grant of any particular option is the date on which the offer relating to such option is duly accepted by the grantee in accordance with the Share Option Scheme. An option may be exercised according to the terms of the Share Option Scheme and the offer in whole or in part by the grantee (or his personal representatives) before its expiry by giving notice in writing to our Company stating that the option is to be exercised and the number of Shares in respect of which it is exercised provided that the number of Shares shall be equal to the size of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. Such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Share Option Scheme by Shareholders by resolution at a general meeting.

**(j) Performance target**

The Board may from time to time require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There are no specific performance targets stipulated under the terms of the Share Option Scheme and the Board is currently unable to determine such restriction on the exercise of the options granted under the Share Option Scheme.

**(k) Rights on ceasing to be an Eligible Person**

In the event of the grantee ceasing to be an Eligible Person for any reason other than ceasing (1) by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty or (2) by death or permanent disability the option may be exercised within one month after the date of such cessation, which date shall be (i) if he is an employee or director of our Company or any subsidiary, his last actual working day with our Company or any subsidiary whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of our Company or any subsidiary, the date on which the relationship constituting him an Eligible Person ceases.

**(l) Rights on death or permanent disability**

In the event that the grantee of an outstanding option dies or becomes permanently disabled before exercising the option in full or at all, the option may be exercised up to the entitlement of such grantee or, if appropriate, in the circumstances described in paragraphs (n), (o) and (q), an election made by his personal representatives within twelve months after the date of his death or permanent disability.

**(m) Lapse of option on misconduct, bankruptcy or dismissal etc.**

If a grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty, the right to exercise the option (to the extent not already exercised) shall terminate immediately.

**(n) Rights on a general offer by way of a take-over**

If a general offer by way of a take-over is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, our Company shall forthwith notify all the grantees and any grantee (or his personal representatives) may by notice in writing to our Company within 21 days after such offer becoming or being declared unconditional exercise the option to its full extent or to the extent specified in such notice.

**(o) Rights on a general offer by way of a scheme of arrangement**

If a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith notify the grantees and any grantee (or his personal representatives) may thereafter (but before such time as shall be notified by our Company) by notice in writing to our Company exercise the option to its full extent or to the extent specified in such notice.



**(p) Rights on a compromise or arrangement**

If a compromise or arrangement between our Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it dispatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his options whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement become effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the grantee (or his personal representatives) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

**(q) Rights on winding-up**

In the event a notice is given by our Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company other than for the purpose of a reconstruction, amalgamation or scheme of arrangement, 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 (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options at any time not later than four business days 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 one business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

**(r) Lapse of the options**

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the periods referred to in paragraph (k), (l) or (n);
- (iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (o);
- (iv) subject to the compromise or arrangement referred to in paragraph (p);
- (v) the date on which the grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty;

- (vi) subject to paragraph (q), the date of the commencement of the voluntary winding-up of our Company;
- (vii) the date on which the grantee commits a breach of paragraph (h);
- (viii) the date on which the option is cancelled by the Board as provided in paragraph (v); or
- (ix) the non-fulfillment of any condition referred to in paragraph (x) on or before the date specified therein.

Our Company shall owe no liability to any grantee for the lapse of any option under this paragraph (r).

**(s) Ranking of Shares**

The Shares to be allotted and issued upon the exercise of an option shall be subject to our Company's Memorandum and Articles of Association and the laws of the Cayman Island for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as of the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment 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 on or before the date of allotment and issue.

**(t) Effect of alterations to share capital**

In the event of any alteration to the capital structure of our Company arising from capitalization of profits or reserves, rights issue, consolidation, redenomination, subdivision or reduction of the share capital of our Company in accordance with the legal requirements or requirements of the Stock Exchange other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party. Adjustment (if any) shall be made to (a) the number or nominal amount of Shares subject to the option so far as unexercised; and/or (b) the subscription price for the Shares subject to the option so far as unexercised; and/or (c) the Shares to which the option relates; or any combination thereof as the Auditors or the independent financial advisors to our Company (acting as expert not arbitrator) shall at the request of our Company certify in writing to the Board either generally or as regards any particular grantee that the adjustments are in compliance with Rule 17.03(13) of the Listing Rules and the notes thereto. Any such adjustments must give a grantee the same proportion of the equity capital of our Company as to which that grantee was previously entitled, and any adjustments so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the "Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule" attached to the letter of the Stock Exchange dated September 5, 2005 to all issuers relating to share option scheme) and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time (but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the Auditors or the independent financial advisors to our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the Auditors or the independent financial advisors to our Company shall be borne by our Company. Notice of such adjustment shall be given to the Grantees by our Company.

**(u) Alteration of Share Option Scheme**

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme as to:

- (i) the definitions of "Eligible Person" and "grantee" in the Share Option Scheme; and

(ii) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules, shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with participants and their respective associates abstained from voting). No such alterations shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantees as would be required of the Shareholders under the bye-laws for the time being of our Company for a variation of the rights attached to the Shares. Any change to the authority of the Board in relation to any alterations to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting. Any alterations to the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing provisions of the Share Option Scheme. Any amended terms of the Scheme or the options must comply with Chapter 17 of the Listing Rules.

**(v) Cancellation of options**

The Board may cancel an option granted but not exercised with the approval of the grantee of such option. No options may be granted to an Eligible Person in place of his cancelled options unless there are available unissued options (excluding the cancelled options) within the limit set out in paragraph (c) above from time to time.

**(w) Termination of the Share Option Scheme**

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

**(x) Conditions of the Share Option Scheme**

The Share Option Scheme is conditional upon:

- (i) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares which may fall to be allotted and issued pursuant to the exercise of any such options;
- (ii) the passing of the resolutions by the Shareholders to approve and adopt the Share Option Scheme and to authorise the Board to grant Options under the Share Option Scheme and to allot and issue Shares pursuant to the exercise of any options; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

**(y) Disclosure in annual and interim reports**

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if appropriate) a valuation of options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

**7. OTHER INFORMATION****A. Estate duty**

We have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries in the PRC and that the Cayman Islands currently have no estate duty, inheritance tax or gift tax.

**B. Indemnities**

Mr. Dong (the “Indemnifier”) has entered into a deed of indemnity in favor of our Group (being a material contract referred to in the paragraph headed “Summary of material contracts” of this Appendix) to provide the following indemnities in favor of our Company (for itself and as trustee for its subsidiaries).

Under the deed of indemnity, amongst others, Mr. Dong irrevocably agrees, covenants and undertakes with each of the member of our Group that he will indemnify each of the members of our Group against taxation falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, acts, omissions, matters or things earned, accrued or received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date when the Global Offering becomes unconditional (the “Effective Date”).

Pursuant to the deed of indemnity, Mr. Dong has also undertaken to indemnify us against:

- (a) all relocation fees and any losses suffered or incurred by any member of our Group in the event that we cannot continue to use certain leased properties due to the defective titles of the relevant landlords;

- (b) all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by any member of our Group as a result of directly or indirectly or in connection with the social insurance and housing fund contributions due or payable for employees of our Group that any member of our Group failed to make prior to the Effective Date provided that such indemnity shall not cover any such claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines the amount of which arise after the Effective Date; and
- (c) all losses suffered by our Group in relation to any work-related accidents of our employees occurred before Listing, including the elevated blood lead level incidents happened during the Track Record Period.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation and other liabilities where, among others, provision has been made for such taxation and other liabilities in the audited accounts of our Group for each of the three years ended December 31, 2009 and six months ended June 30, 2010 as set out in the Accountants' Report in Appendix I to this prospectus and provision, reserve or allowance for which will be made in the audited accounts of our Company and the subsidiaries covering the period from July 1, 2010 to the Effective Date on a basis consistent with that made in the said audited accounts.

### ***C. Litigation and Potential Claims***

Save as disclosed in this prospectus, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known by the Directors to be pending or threatened by or against any member of our Group.

We have noticed certain articles that can be viewed on the Internet regarding to alleged waste water pollution issues in Jinhu county, Jiangsu province, where our Jiangsu production facility is located. Our Directors confirm that our Jiangsu production facility is in compliance with all applicable environmental laws and regulations. In addition, our environmental consultant, MWH, has inspected the water treatment plant at our production facility, and is of the opinion that we are in compliance with the applicable environmental standards. As of the Latest Practicable Date, we had not received any claims, or threats to claim, from residents of Jinhu county, Jiangsu province.

### ***D. Promoters***

Our Company has no promoter as the term is defined under the Listing Rules.

### ***E. Application for listing***

Citigroup Global Markets Asia Limited has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus including any Shares which may fall to be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme.

### ***F. Preliminary expenses***

The preliminary expenses of our Company are estimated to be approximately US\$18,000, and are payable by our Company.

**G. Qualifications of experts**

The following are the qualifications of the experts which have given their opinions or advice which are contained, or referred to, in this prospectus:

Expert	Qualification
Citigroup Global Markets Asia Limited .....	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 7 (providing automated trading services) regulated activities under the SFO
Ernst & Young .....	Certified Public Accountants
Jones Lang LaSalle Sallmanns Limited .....	Independent property valuers
Zhong Lun Law Firm .....	PRC legal advisers
Conyers Dill and Pearman .....	Cayman Islands barristers and attorneys
MWH Environmental Engineering (Shanghai) Co., Ltd.....	Independent environmental consultant
Asia Battery Association .....	Independent industry consultant

**H. Consents of experts**

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with inclusion of its report and/or letter and/or valuation certificate(s) and/or the references to its name in the form and context in which they are respectively included.

As of the Latest Practicable Date, none of the experts referred to above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**I. 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 Companies Ordinance so far as applicable.

**J. Miscellaneous**

Except as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus, 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 for either cash or a consideration other than cash;
- (b) within the two years immediately preceding the date of this prospectus, 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) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries:

- (d) since June 30, 2010 (being the date to which the latest audited consolidated financial statements of our Group were made up) there has not been any material adverse effect in the financial or trading position of our Group;
- (e) no founder, management or deferred shares or debentures of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (f) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement;
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (h) subject to the provisions of the Companies Law, the register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited;
- (i) none of our Directors or any of the experts referred to in the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have been within the three years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be so acquired, disposed of or leased;
- (j) none of our Directors or any of the experts referred to in the paragraph headed “Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (k) none of the experts referred to in the paragraph headed “Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group, save in connection with the Underwriting Agreements, nor is in the employment of an officer of our Company;
- (l) none of our Directors, any of their associates (as defined in the Listing Rules) or any shareholder of our Company (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our Group’s five largest suppliers or five largest customers; and
- (m) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group within 12 months preceding the date of this prospectus.

***K. Bilingual Prospectus***

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were as follows:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “Consents of experts” under the section headed “Other Information” in Appendix VII to this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “Summary of material contracts” under the paragraph headed “Further Information about the Business” in Appendix VII to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of DLA Piper Hong Kong, 17/F, Edinburgh Tower, The Landmark, 15 Queen’s Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) Memorandum and Articles of Association;
- (b) the accountants’ report of our Company prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of our Group for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010;
- (d) the letter from Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letters relating to the profit forecast from Ernst & Young and the Sole Sponsor respectively, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter, summary of values and valuation certificate relating to our property interests prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix IV to this prospectus;
- (g) the PRC legal opinions issued by Zhong Lun Law Firm, our legal advisers on PRC law regarding, inter alia, the operations, taxation and property interests of our Group in the PRC;
- (h) the letter and environmental assessment report prepared by MWH Environmental Engineering (Shanghai) Co., Ltd., the text of which is set out in Appendix V to this prospectus;
- (i) the letter prepared by Conyers Dill & Pearman, our Cayman legal advisers, summarizing certain aspects of Cayman Islands companies law as referred to in Appendix VI to this prospectus;
- (j) the industry report of the lead-acid battery industry prepared by Asia Battery Association referred to in the section headed “Industry Overview” in this prospectus;
- (k) the material contracts described in the paragraph headed “Summary of material contracts” under the paragraph headed “Further Information about the Business” in Appendix VII to this prospectus;
- (l) the service contracts with each of our Directors described in the paragraph headed “Particulars of Directors’ service agreements” under the paragraph headed “Further Information about Directors and Substantial Shareholders” in Appendix VII to this prospectus;
- (m) the written consents referred to in the paragraph headed “Consent of experts” under the section headed “Other information” in Appendix VII to this prospectus;



- (n) the rules of the Pre-IPO Share Option Scheme and the Share Option Scheme;
- (o) the full list of the grantees under the Pre-IPO Share Option Scheme referred to in the sub-paragraph headed “Exemption from the SFC and Waiver from the Stock Exchange” under the paragraph headed “Pre-IPO Share Option Scheme” in Appendix VII to this prospectus; and
- (p) the Companies Law.



**Leoch International Technology Limited**

**理士國際技術有限公司**